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File NO 98 of 1922

Serial NO:- 1 To 18

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Preserve
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NERAL AND REVENUE SECRETARIAT.

18
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Part B for September 23.

SUBJECT

efinition of future relations of Govt
with the Bank of Mysore

21 14300 of 8.9.23 to the Comptroller
nicating to him the understanding arrived
with the Bank of Mysore about
ie Cash ratio to be maintained by it

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE - 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER

Bangalore 20th October 1921

No.....

To

M. N. Krishna Rao Esquire, B.A.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

Dear Sir,

20th Oct. 1921 from Mr. K. P. Patel Chairman of the Mysore Bank

As a member of the Committee appointed by the Government to consider the revision of the Bank's Memorandum & Articles of Association, and to submit the terms and conditions for an agreement between the Government and the Bank for giving effect to the several recommendations contained in the Committee's report for increasing the resources of the Bank of Mysore and enhancing its usefulness, I beg to advise you that the preliminary meeting of the Members of the Committee will be held at the offices of the Bank of Mysore Ltd., on the 25th inst at 12 Noon at which your presence is solicited.

Yours faithfully,

Chairman of Committee.

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File No 98 of 1922
Sl No - 1-18

Proceedings of
the first meeting (held on 25-10-21) of the Committee appointed by Government under Para 6 Order No.Fl.3104-53/G.F.93-19-25 dated 12th November 1920 to consider the Memerandum & Articles of Association of the Bank of Mysore; and the nature of the agreement between the Government and the Bank for giving effect to the several recommendations in paras 8 to 11 of the Mysore Bank Committee appointed by Government on the 9th March 1920.

P R E S E N T .

Dewan Bahadur K. P. Puttanna Chetty Esq., C.I.E.,(CHAIRMAN)
M.N.Krishna Rao Esq., Financial Secretary to Government.
W.C.Rose Esq., Manager, Bank of Mysore Ltd., Bangalore.

A B S E N T .

R. N. Iengar Esq., Government Advocate, Bangalore.

Read the Government Advocate's letter regretting his inability to attend todays meeting.

The recommendations of the Mysore Bank Committee contained in paras 8 to 11 were read and the following decisions were arrived at by the Committee.

Transfer of Government Treasury Work to the Bank.

As the orders of Government on the recommendations of the special Committee appointed by Government to consider the above subject have not yet been issued, the Committee were not in a position to consider the conditions to be incorporated in the agreement to be drawn up between the Government and the Bank of Mysore. Pending the receipt of the orders of Government the Committee requested Mr. Rose to make enquiries as to the terms and conditions on which similar

duties were undertaken by the Imperial Bank of India and the Bank of Baroda Ltd.

Definition of Relation between Government and the Bank.

The Committee are of opinion that it is preferable, at the outset, to have a five years agreement between the Government and the Bank of Mysore defining the terms ~~of~~ of relationship between the two parties, to the passing of an act of legislation. Mr. Rose was requested to ascertain from the Imperial Bank of India the terms and conditions of their agreement with the Government of India for the conduct of the Government work performed by that Bank.

The Committee were of opinion that save in the matter of any further increase in the Capital of the Bank of Mysore, and the provision for proper representation of Government on the Directorate of the Bank, the powers contained in the Bank's existing Memorandum & Articles of Association were sufficient for the purposes of the Bank entering into an agreement with Government to Act as Bankers and to do other business for them. They however, desire to have the opinion of the Government Advocate on this point.

Transfer of Public Debt Business.

The Committee~~s~~ are of opinion that early arrangements should be made for the transfer of the whole of the Public Debt Business to the Bank, and that a Government officer and a small staff, experienced in such work, might be loaned to the Bank for such period as the Bank may think desirable. Mr. Rose was requested to approach the Imperial Bank of India to ascertain the conditions

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conditions on which that Bank worked the Government of India/ Public Debt Service.

(Signed)K.P.Puttanna Chetty.

C h a i r m a n .

Forwarded with compliments

to M.N.Krishna Rao Esq., B.A.,

Financial Secretary to the Government,

B a n g a l o r e .

Continue here the ~~Para~~ D.O on the next page.

ALL COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER.
TELEGRAPHIC ADDRESS: "MYSOREBANK."
CODE: A. B. C. 5TH EDITION.

No.

The Bank of Mysore, Ltd.,

Bangalore, 12th November 1921

D.O Letter dated 12th Nov 1921 from
Mr. K. P. Puttanna Chetty, Chairman, Mysore
Bank Committee to the Financial
Secretary to Government

Dear Mr. Krishna Rao,

The Second Meeting of the Committee appointed by the Government to consider the Memorandum & Articles of Association of the Bank of Mysore and the nature of the agreement between the Government and the Bank, will be held at the offices of the Bank of Mysore on Wednesday the 16th instant at noon. I trust it will be convenient to you to attend.

Yours sincerely,

K P Puttannachetty

Chairman.

M. N. Krishna Rao Esq., B.A.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

Continue the note on the
next page.

Proceedings of the Second Meeting of the Committee appointed by Government under Para 6 of Order No.Fl.3104/53ø G.F.93-19-25 dated the 12th November 1920 held in the office of the Bank of Mysore Ltd., at Noon on the 16th November 1921.

P R E S E N T.

Dewan Bahadur K. P. Puttanna Chetty, C.I.E., Chairman.
Mr. M.N.Krishna Rao, Financial Secretary
Mr. R. N. Iengar, Government Advocate.
Mr. W.C.Rose, Manager, Bank of Mysore Ltd.

The Proceedings of the Committee's meeting held on the 26th October 1921 circulated to Members and were taken as read and confirmed.

1. Read letter dated 9th November 1921 from the Manager of the Bank of Baroda Ltd., stating the conditions on which the Government Treasury Work of the Baroda State is undertaken by his Bank.

2. Read Copy of the Agreement dated the 27th January 1921 between the Government of India and the Imperial Bank of India setting forth the terms and conditions on which the general Banking business of the Government of India, including that of the conduct of the Treasury Work and Public Debt Service, are entrusted to the Imperial Bank of India.

3. After a discussion of the various heads of the business, as transferred to the Imperial Bank of India, ~~xhe~~ and set forth in the agreement between the Government of India and the Imperial Bank of India, the Committee came to the following decisions:-

i. That the Government of Mysore enter into an agreement with the Bank of Mysore Ltd., for a period of five years for the following purposes:

(a) The Bank of Mysore to act as sole Bankers in the State for the Government regarding the receipt, collection, payment and remittances of money and ~~securities~~ securities and other matters as are usually transacted by Bankers for their customers.

(b) The Bank of Mysore to undertake the Treasury Work of the Government at all District Head Quarters and at such taluks where a Branch of the Bank is now or may hereafter be established.

(c) The management and transaction of all the business of the Registered Public Debt and securities of the Government

4. In the discussion which followed on the question of interest to be paid by the Bank to the Government for its funds deposited with the Bank, the Committee are of opinion that the Government should at all times maintain a fixed minimum balance with the Bank, and in the event of such balance falling below the declared minimum as agreed upon, the Government to pay interest to the Bank on such deficiency at the published rate of interest of the Imperial Bank of India with a minimum of 5 per cent per annum. As regards the interest to be paid to Government the Committee recommend that the Bank allow interest on Government floating balances at the rate of per cent. on monthly minimum balances during the first six months of the year, and a similar rate of interest for the 2nd half year but calculated on the average of the monthly minimum balances of the first six months as the maximum sum on which interest will be allowed but if such maximum be not maintained then on the average monthly minimum balances for the second half year. Mr.M.N. Krishna Rao promised to furnish a statement showing the average rate of interest earned by the Government on its balances with the Bank.

5. That as regards the remuneration to be paid t/

to the Bank for its services in connection with (1) the conduct of the cash portion of the Treasury Work at all District Head Quarters, and at such taluk where a Branch or agency of the Bank may be established and (2) the management of the Public Debt Service, the committee recommend that the Government should deposit with the Bank a sum of Rs. X for a period of five years free of all interest. Mr.M.N. Krishna Rao promised to furnish particulars of the present cost including allowances and travelling and incidental expenses of the establishments engaged in the conduct of the Government Treasuries at all District Head Quarters, and at the Taluks of Davanagere, Tiptur, Sagar, Chennapatna and Bowringpet, also that of the Public Debt Section at Head quarters and other places.

6. The Committee are further of opinion that with the transfer of the duties of the cash section of the Govt. Treasuries at Head Quarters and Districts and at such of the taluks where a Branch or agency of the Bank exists, all the balances of the Government at such Treasuries be deposited with the Bank, and that the Government shall not make any transfers of money for the general public between any two places in which a local head office or a Branch or an Agency of the Bank is situated, but the Bank shall as far as practicable give the public every facility for transfers of money between its local Head Office and Branches and Agencies at rates not exceeding such rate as the Government may by special or general direction approve. The Government, however, to have the right to ask the Bank for the issue of R.T.R. free of cost when the proceeds of such remittances are intended for Government purposes only, and to the issue of supply bills to the public at, or on, such taluk trasuries not made over to the Bank.

7. The Government shall, as far as practicable, supply the Head Office and Branches and Agencies of the Bank

with currency notes and rupees, including coin of denomination less than Re.1, which may be required by the Bank for Government purposes.

8. The Bank shall receive and accept at its Head office and any branches or agencies in payment of Government Revenue and from the Administration of State Railways on account of their traffic receipts, Government currency notes of all circles indiscriminately.

9. The Committee are of opinion that clauses 11, 12,14,15 and 16 of the Agreement between the Government of India and the Imperial Bank of India may also form part of the agreement between the Government of Mysore and the Bank of Mysore with such suitable amendments or additions as may be deemed necessary.

10. The Committee are of opinion that the Mysore Government should approach the Government of India with a request for the maintenance at the Head office of the Bank of Mysore of a currency chest for the convenience of the Government and the Public of the State. This financial arrangement is long overdue.

At the next meeting of the Committee it was decided to consider the question of the kinds of business to be undertaken by the Bank.

The next meeting of the Committee to be held at the offices of the Bank on Tuesday the 6th December 1921 at 12 Noon.

Sd. K.P.Puttanna Chetty

CHAIRMAN.

Copy forwarded to

M.N.Krishna Rao Esq., Financial Secretary, Bangalore.

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Proceedings of the Third Meeting of the Committee Appointed by Government under Para 6 of Order No.FL3104/53 G.F.93-19-25 dated the 12th November 1920, held in the Office of the Bank of Mysore Ltd., at noon on the 6th December 1921.

P R E S E N T.

Dewan Bahadur K. P. Puttanna Chetty, C.I.E., (Chairman)
Mr. M. N. Krishna Rao, Financial Secretary.
Mr. R. N. Iengar, Government Advocate.
Mr. W. C. Rose, Manager, Bank of Mysore Ltd.

The proceedings of the Committee's Meeting held on the 16th November 1921 circulated to members were taken as read and confirmed.

1. After a discussion of the provisions of the Imperial Bank of India Act 1920, relative to the business which that Bank is authorised to carry on, and the nature of the several kinds of business it is empowered to transact, and the Memorandum of Association of the Bank of Mysore Ltd., embodying the kinds of business which the latter Bank may undertake, it was submitted on behalf of the Bank, that in view of trade and Banking conditions in the State being different, as well as less advanced, than those prevailing in British India, it is not desirable, at present, to alter the existing memorandum of Association of the Bank of Mysore Ltd. which has worked satisfactorily, but that in order to afford protection to Government for its funds deposited with the Bank of Mysore, as hereinafter referred to, it is preferable for the Bank and the Government to come to some working agreement for securing to Government its monies in the Bank in excess of the amount of the free balance to be deposited by the Government with the Bank of Mysore in its floating account, and for its remuneration in connection with the working of the cash

transactions of Government Treasuries and the services of the Public Debt.

Mr. M. N. Krishna Rao kindly promised to discuss the proposal with the Comptroller, and report the result of his interview to the Committee at their next meeting. He, also, agreed to furnish information on the following points:- (a) the average Government cash balances in the (i) Huzur Treasury (ii) the Imperial Bank of India, Bangalore (iii) the Bank of Mysore Ltd., for the years 1918, 1919 and 1920, also the total annual interest received by Government on its balances under heads (ii) and (iii).

Sd. K. P. Puttanna Chetty

CHAIRMAN.

Forwarded with compliments to

Mr. M. N. Krishna Rao, Financial Secretary.

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The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

Bangalore, 19th June 1922.

Banerji to D.O.
Banerji D.O. print These Marginal Notes in the order indicated in the typed D.O. letter dated 19th June 1922 from me Rose, Banerji, Bank of Mysore to the Dewan of Mysore.
Notes to be next page.

Dear Mr. Banerji,

As promised, I enclose for your consideration a Note (in duplicate) on the subject of the Bank's future relations with the Government which has the approval of the Board of Directors. If necessary, I will be pleased to discuss the matter further with you or the Financial Secretary. The whole question is only one of confidence in the Bank's financial stability, and given the full support of Government, the position of the Bank can but grow stronger every year.

Yours Sincerely,

Manager.

Agreed with Compts. The Note fresh copies Compts Can I shd like to have a full note with all the previous Compts. Shows the relationship of the Bank with the Mysore Govt from its S/sd. R. Banerji, Esq., I.C.S., C.S.I., C.I.E.,

Dewan of Mysore, B A N G A L O R E.

14 6/7 21/6

Please see note placed below.

Dewan

I shd like to discuss this with the Secy first before having a conf may bring tomorrow 3/3.Ga

Secy 7

Mr. Rao's No. 14

THE GENERAL QUESTION OF RELATION OF GOVERNMENT WITH THE BANK.

In view of the fact that the only concession now enjoyed by the Bank under Government Order of the 12th March 1913 is that of the Government Deposit of Rs.10 lacs till October 1923 (about), of which Rs.5 lacs carry no interest, and a like amount carrying 4½% interest per annum, it is desirable to now consider the general question of the Bank's relations with Government, and how such connection could and should be maintained in the future without impairing the Directors' freedom of action, especially on the point of accepting for the Bank's advances to the public such security as they consider necessary, and at the same time best suited to the economic conditions prevailing in the State.

It would no doubt be a safe and convenient Banking policy for the Directors to insist on the deposit of Government Paper and other such liquid securities to which some people imagine the Imperial Bank of India solely restrict their advances, but the fact should not be lost sight of that 6 crores and more of that Bank's advances are represented by discounts (unsecured by any security). I do not wish to impute that these discounts are unsafe; but that the Imperial Bank is in the position to obtain the finest bills available bearing several good endorsements. Further, the Imperial Bank of India is more of the nature of a Government and Bankers' Bank than an ordinary Joint Stock Banking Institution, and on whom practically all Banks in India would be dependent in the event of a severe financial crisis. For the Bank of

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Mysore

Mysore to go in for similar discounting business would mean advances on a single name, or the creation of mere accommodation paper on two names. It is obvious that if the Bank insisted on "A" obtaining the signature of another approved party to his bill, whom we may call "B", that the latter in return would demand the signature of "A" as a quid proquo. Further, the internal transactions of Mysore merchants are of such a retail nature that trade bills are seldom drawn, and would not aggregate to any appreciable sum. Even in the case of exports, the vendor merchant seldom draws a bill on his buyer, but prefers to give him personal credit, (thereby avoiding the payment of stamp duty) and to accept payment according to the convenience of the latter! The nature of the business of Multani Bankers is either under the Khate or cash credit system, or by bills which the Multani is only too willing to accept and renew ad infinitum as this procedure enables him to secure cheap working resources through the agency of Shroffs in the Presidency towns who in turn discount their bills with the Imperial Bank. Exception has been taken in certain quarters to the Mysore Bank financing these Multani Bankers for the reason that they are thereby encouraged to fleece the Mysore public, and defeat the objects for which the Bank was started. But it would be very unwise for the Bank to adopt the practice of the Multani Banker and run the risks which he incurs. The demand of the Bank for some kind of collateral security is only right, and it is not the fault of the Bank if the main security available is the deposit of Title Deeds relating to

immoveable

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immoveable properties. I have no hesitation in saying that if the Directors adopted a policy of granting advances without such security, the postion of the Bank would, to-day, be more or less minus its reserve fund! From these remarks it must not be inferred that the Bank does not get the most liquid security available. Its advances at Head Office on Government Paper, Produce and Shares are 47% of its aggregate advances, with a further 20% represented by advances on two names, while its advances on single Pro Notes with immoveable properties including stock-in-trade as collateral security is 33%. It is easy enough to wish for perfection in one's own security, but it is a very difficult proposition to put into practice when the Indian public are generally averse to the investment of their monies in Government Securities and there is no getting away from this fact by quoting the Imperial Bank of India Act as the only measure of safety. In recent months there was no Bank in India in a weaker financial position as regards its proportion of cash to its demand liabilities as the Imperial Bank, and were it not for the fact that it has the full backing of the Government of India, I make bold to say, its Directors would never have permitted its cash balance to fall as low as 18% of its demand liabilities. I see no reason why the Government of Mysore should not also have the same degree of confidence in the Bank of Mysore, after its knowledge of the Bank's working during the 9 years it has been in existence, and the financial position of which is second to no Bank in India. With these preliminary

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preliminary remarks I will now proceed to discuss the general question of our future relations with the Government, which obviously should be of the closest nature, with both parties possessing absolute confidence in each other.

With the withdrawal by Government of their concession deposits, the Bank can claim to be freed from all the conditions laid down in para 5 of the Government Order of 12th March 1913, when the following alternative courses are open to the Bank:-

(a) complete independence,

(b) affiliation with another Bank but retaining its distincitve identity;

(c) to enter into negotiations with the Government of Mysore for the latter to make a permanent deposit, on interest, in lieu of Share Capital to the extent of the Bank's paid up capital, at prsent 20 lacs, which with the Bank's capital and reserve funds will then amount to Rs.50 lacs of available capital.

It will perhaps be more profitable if alternative (c) be first discussed, as an absence of agreement under this head would give the Bank freedom to consider alternatives (a) and (b).

ADVANTAGES TO GOVERNMENT UNDER ALTERNATIVE (c).

The first question that arises is what benefit will accrue to Government by adopting alternative (c). Provided the Government make the Bank their principal Bankers in the State and in British India, and entrust to the Bank all the Banking business which is now either carried on by Government Treasury Department, or through the agency of the Imperial Bank of India, and which the Bank of Mysore is

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capable

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capable of fulfilling, then I venture to think the Directors of the Bank would be prepared to consider the question of taking up the management of:-

(a) The Treasury work in the State at such places where a Branch of the Bank is established;

(b) Public Debt Service of the State and the direct floatation of future Government loans by the Bank;

(c) Savings Bank transactions at Head Quarters and Branches, and the cash receipts of the Electrical and other Departments;

(d) The Bank to undertake to finance Government (on adequate notice being given) to the extent of their permanent deposit at a difference of 2% interes

(e) In the event of a forced liquidation of the Bank, the Government to have a first claim on the Bank's Reserve Fund to the extent of 50% of that fund if the deposit is equal to the Bank's capital or pro-rata, with a maximum equal to its permanent deposit;

(f) The Bank to obtain the approval of Government to the appointments of the Chairman of the Board of Directors and of the Manager and Deputy Managers;

(g) The Financial Secretary to be an ex-officio Director of the Bank and hold the same position as

the

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the Government Official Directors in the Imperial Bank;

(h) The Government to have the option to appoint a firm of Chartered Accountants to audit the Books of the Bank every half year in conjunction with the Bank's auditors.- This proposal is in lieu of the Government nominating one of its own officers as an Auditor under Articles 150, 151 and 152;

(i) The saving to Government in the avoidance of liability for future pensions to the staff (and the lessening the duties of the Comptroller's office and Treasury Officers) and saving ~~to~~ of office accommodation to Government on the staff under (a), (b), (c) being transferred to the Bank's offices.

COMPENSATING ADVANTAGE TO BE ALLOWED TO BANK.

The question of remuneration to be allowed to the Bank, as a tentative measure, to be based on the present cost to Government for the working of the duties under (a), (b), (c) which could be ascertained by a small Joint Committee.

The fixing of a minimum amount of Government floating balances to be at the disposal of the Bank, but withdrawable at 30 days' notice.

MANAGER.

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Cal 1-7-1922

GOVERNMENT and THE BANK OF MYSORE.

A

The concessions shown to the Bank of Mysore and the conditions to which it was required to conform are mentioned in Government order dated 12th March 1913. The contribution of half the working expenses of the Bank and the supply of treasury guards and free escort for remittances were allowed only for five years and these concessions therefore ceased long ago. The only consideration still shown is the deposit of Rs. 10 lakhs, of which one half is free of interest and the other half carries interest at 4½ per cent. This deposit was promised for ten years and can, therefore, be withdrawn in October 1923. The Bank has not yet been entrusted with the regular treasury work at any place and the deposit with it of the securities of Government is a minor matter. This is the present position in regard to the relations of the Bank with Government.

2. The following questions connected with the relations of Government with the Bank are under consideration:-

(i) Transfer of cash work of treasuries to the Bank wherever it has the necessary organisation to undertake such work.

(ii) Transfer to the Bank of as much as possible of the Public Debt work of Government and of Local Bodies.

(iii) Revision of the agreement under which Government cash balances are kept with the Head Office of the Bank at Bangalore.

and (iv) General conditions subject to which Government balances may be entrusted to the Bank.

3. The Committee which reported on the measures necessary for improving the resources of the Bank and enhancing

enhancing its usefulness recommended the appointment of two committees, one for submitting detailed recommendations for transfer of cash work to the Bank, and the other, for suggesting the necessary revision of the Bank's Memorandum and Articles of Association and to submit a draft agreement defining the terms and conditions for regulating the relations of the Government with the Bank. The former Committee has submitted its report and in delaing with this report it was found desirable to defer action on the lines indicated in it, until the general question relating to the conditions to be insisted upon for the safety of the Government balances to be entrusted to the Bank was settled. This question has to be considered by the second Committee which has not yet submitted its report. This latter Committee met three times and when it came to consider the question of the alterations necessary in the Bank's Memorandum and Articles of Association, with a view to include in them restrictive provisions in regard to the employment of funds somewhat on the lines of the Imperial Bank of India Act, there were differences of opinion between the representatives of the Bank and myself, as the representative of Government. I urged the desirability of clearly defining as in Schedule I, Parts I and II of the Imperial Bank of India Act, the business which the Bank may and that which it may not carry on or transact. The members (the Chairman and the Manager of the Bank) of the Committee who represented the Bank stated as follows:-

> " xx xx In view of trade and Banking conditions in the State being different, as well as less advanced, than those prevailing in British India, it is not desirable, at present, to alter the existing Memorandum of Association of the Bank which has worked satisfactorily, but that in order to afford protection to Government for its funds deposited with the Bank, as hereinafter referred to, it is preferable for the

Bank

"Bank and the Government to come to some working
"agreement for securing to Government its monies
"in the Bank in excess of the amount of the free
"balance to be deposited by the Government with
"the Bank in its floating account. xx xx"

(Proceedings of the third meeting of the Committee dated 6th December 1921.)

In the latest communication on the subject received from the Bank (Mr. Rose's letter of the 19th June 1922 to the Dewan) the allusion to this point is as under:

" xx It isdesirable now to consider the
"general question of the Bank's relations with
"Government and how such connexion could and should
"be maintained in the future without impairing the
"Directors' freedom of action, especially on the
"point of ~~action~~ accepting for the Bank's advances
"to the public such security as they consider ne-
"cessary and at the same time best suited to the
"economic conditions prevailing in the State. "

4. The Chairman and the Manager ~~confirmed~~ considered that instead of altering the Memorandum and Articles of Association for securing the object proposed by me, the same object could be ~~a~~attained by the Bank giving adequate security to Government for public balances lodged with it. In Mr. Rose's letter of the 19th June 1922 this point is stated as follows:-

" xx In the event of a forced liquidation of
"the Bank the Government to have a first claim on
"the Bank's Reserve Fund to the extent of 50 per
"cent. of that Fund, if the deposit (i.e., the per-
"manent deposit to the extent of the Bank's share
"capital, which it is proposed in the same letter
"should be kept by Government) is equal to t h e
"Bank's capital or pro rata, with a maximum equal
"to its permanent deposit."

5. The position taken up by the representatives of the Bank appeared to me to require consideration from the point of view of Government and I thought it well to place the matter before Government and learn their views before expressing my opinion as a member of the Committee on the alternative proposal made by the Bank's representatives. Owing to ~~the~~ pressure of other work, it has

not

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not been possible for me to write this note earlier and the Committee has not, accordingly, been in a position to pursue its deliberations and submit its report to Government.

6. The Bank's representatives stated that the deposit of adequate securities with Government, coupled with the arrangement to which they have agreed and according to which a nominee of the Government would be on the Board of Directors of the Bank and be kept informed of all its operations, would provide all the safeguards necessary for placing public balances with the Bank. It will be seen from Mr. Rose's letter of the 19th June 1922 that the security offered is only in respect of the permanent deposit required to be made by Government and the proposed limit of 50 per cent. of the Reserve Fund will, for many years, make the ~~securit~~ security only a fraction of such deposit. Apart from this aspect of the proposal, the offer of security for Government balances has to be considered from a more important point of view. After all, Government are only one constituent of the Bank, though the biggest constituent, and whether the Bank's proposal of giving Government a first claim on any part of the Bank's Reserve Fund ~~except~~ as security, is consistent with the Bank's Memorandum and Articles and even if it is, whether such a step is not likely to be considered by the Current and Time deposit holders of the Bank as unduly favouring one constituent, are important legal points to be considered. Besides, Government are not merely in the position of a constituent of the Bank; when they keep their cash balances with the Bank and thus inspire public confidence in its working, they assume a certain amount of indirect and moral responsibility for its safe working and in the event of any need for their

having

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having to utilise the Reserve Fund offered as protection for their deposit, the other creditors of the Bank may well complain that the predominant constituent has taken advantage of his position of pre-eminence and utilised exclusively for the protection of his own interests the funds which ought to be available to safeguard the interests of all constituents alike. In such a contingency -- of course it is a very remote one -- I do not think Government can use the securities kept in their custody for making good any loss which they may have otherwise to sustain. In fact, in such circumstances, the public will expect the Government to support the Bank and help it out of its difficulty. For these reasons, the alternative proposal of the Bank, though reasonable from its point of view, does not seem to me to afford much protection to Government.

7. It is true that a nominee of Government will, under the proposed arrangement, have opportunities of intimately following the operations of the Bank and keeping himself posted with its state of affairs from time to time. This is no doubt a provision which has its value. But its value lies in the interest which the nominee will take in the work of the Bank and the vigilance which he will exercise in the performance of his duty and the protection afforded by this provision cannot, therefore, be always expected to be effective and it is well not to rely too much upon the personal element in such matters. I am led, by these reasons, to think that it is desirable to provide for the safety of public balances by eliminating from the Bank's province of business such items of work as are likely to involve risks.

8. The Bank has, no doubt, so far worked on very sound lines and this result is due to its good fortune

of

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of having had the best Management. It is not, however, possible to rely upon this personal factor being always favourable to the working of the Bank and it is well to provide for safety in the kinds of work that can be transacted by the Bank, in addition to that afforded by t h e personnel of its Management.

The following extract from the minute dated 10th November 1867, of Mr. H.T.Princep, Member of the Secretary of State's Council, recorded in connection with the failure of the old Bank of Bombay expresses this view very forcibly:-

> " xx We may have wise and careful men who raise "a bank to the highest pitch of prosperity. These "leave xx xx and the concern falls into the "hands, perhaps, of a very opposite description. There "is no private Bank of India that has not been shaken "to its foundation by these shifts and changes and we "know how many have fallen with consequences even "more disastrous than those that have attended the "difficulties of the Bombay Bank."

9. The following observations of the Secretary of State contained in his Despatch of the 16th September 1862, though made in regard to the proposal to permit the Presidency Banks to deal in foreign exchange operations, shows what precautions are necessary in regard to the kinds of business which a Bank handling the public balances can be allowed to transact:-

> " Any Bank to which the balances and treasury "business of the Government are to be entrusted "must be restricted to legitimate baking operations, "such as those transacted by the Bank of England or "by the Bank of Bengal, as heretofore constituted.
>
> " This precaution is indispensable for it cannot "be conceived that a failure on the part of the Bank "entrusted with the business of Government to cash "a Government note or bill or to pay any legal deamnd "demand on the Government, would be held by the "native community to affect only the credit of the "Bank. Her Majesty's Government consider that any "such occurrence would inevitably be regarded as a "failure on the part of the Government itself and "the utmost care must be taken to guard against the "possibility of such a contingency".

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10. The safeguards necessary for entrusting the cash balances of Government to the Bank and for enabling Government to discharge their ultimate responsibility for the soundness of working of the Bank which their close association with it imposes on them, are the following:-

(i) The capital of the Bank should be adequate.

(ii) The appointment of the higher executive officers of the Bank who are responsible for its policy and administration should be made by Government or with their approval.

(iii) Government should have the power to issue instructions to the Bank in respect of any matter which vitally affects their financial policy or the safety of their balances.

(iv) A representative of Government should have discretionary power, for use in emergencies only, to require the Bank to hold in abeyance any decision until it is reported to Government for action under (iii) supra.

(v) Government should have the power to call for any information touching the affairs of the Bank.

(vi) Government should have the power to require the production of any document of the Bank.

(vii) Government should have the power to have the accounts of the Bank inspected and audited by any agency appointed by them and at any time they may consider necessary.

(viii) Power to require the publication in Government Gazette of such statements of assets and Liabilities of the Bank at such intervals and in such form and manner as they may think fit.

(ix) Approval of Government to be obtained to all additions to, and alterations of, the Memorandum and Articles of Association.

(x) The Bank should not engage in any way in foreign exchange.

(xi) Immoveable property should not be accepted as the principal or the sole security for loans.

(xii) The kinds of business which the Bank can and those which it should not carry on, have to be clearly defined.

There is no difference in regard to Nos. (i) to (xi). The authorities of the Bank are agreeable to

increasing

increasing its capital and allowing Government the powers referred to under Nos. (iii) and (iv): vide para 9 of the proceedings of the Committee dated 16th November 1921 and Mr. Rose's letter of 19th June 1922. The powers Nos. (ii), (v), (vi), (vii), (viii), (x) and (xi) are already allowed or implied under the ~~ei~~- existing arrangement and the authorities of the Bank are willing to continue them and they may agree to No. (ix) also. The only difference is in respect of safeguard No. (~~x~~)

11. I give below ~~in~~ in juxta position the kinds of business which the Bank of Mysore and the Imperial Bank of India are or are not authorised to conduct according to their present constitutions and note my views as to what changes I consider necessary in the business of the former Bank:

The Bank of Mysore.	The Imperial Bank of India.
Para 3 (B) of Memorandum of Association.	Imperial Bank of India Act.
General.	Section3.-
To carry on the business of banking in all its branches and departments, including the borrowing, raising and taking up of money.	"To carry on the business of banking in accordance with the provisions of this Act".
	Section 8 (Ibid.)
	"Subject to the provision of this Act, the business which the Bank is authorised to carry on and transact shall be the several kinds of business specified in Schedule I subject to the limitations therein mentioned."

12. "Banking in all its branches and departments" is too wide and vague a definition of the business that can be conducted and it may include long-term lending for agricultural and industrial capital purposes. It is necessary to make this provision definite and it may be altered as follows:

"To carry on the several kinds of banking "business specified in this Memorandum".

The words"including the borriwng, raising or taking up of money" have reference to important functions of the Bank and the business intended by them may be expressed in the form of separate provisions as under:

"The borrowing of money in India for the pur-
"poses of the Bank's business and the giving of
"security for money so borrowed by pledging assets
"or otherwise": (vide clause (o) of Schedule I,
Part ~~I~~ I of the Imperial Bank of India Act.

"the receiving of deposits and keeping cash
"accounts on such terms as may be agreed on".(vide
clause (h) Ibid.)

13. The Bank of Mysore.

Lending.-

Para 3 (B).

"the lending or advancing of money"
"the making of advances,lending and opening cash credits on the security of

(a) Debentures,
(b) Stocks or shares of any Joint-Stock Companies whatsoever.

and

(c) moveable property or immoveable property. where such immoveable property is not the sole security but is included as security along with moveable property, such as the machinery, plant and other stock of Mills, Factories or any other industrial concerns.

The Imperial Bank of India.

Schedule I, Part I Ibid.

"(a) the advancing and lending money and opening cash ~~accounts~~ credits upon the security of

(i) stocks, funds and securities(other than immovable property) specified.

(~~ø~~ii) Such securities issued by State aided Railways as are recognised for this purpose by the Government of India.

(iii) Debentures or other securities for money issued under the authority of any Act of a Legislature established in British India or on behalf of a District Board

(iv) Goods which or the documents of ~~title~~ title to which, are deposited with, or assigned to, the Bank as security for such advances, loans or credits.

(v) Accepted bills of exchange and promissory notes endorsed by the payees and joint and several promissory notes of two or more persons or firms unconnected with each other in general partnership, and

(vi) fully paid up shares and debentures of companies ~~with limited~~ liability) or immoveable property or documents of title) relating thereto

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The Bank of Mysore.

The Imperial Bank of India.

as collateral security only where the original security is one of those specified in sub-clauses (i) to (iv) and if so authorised by any general or special directions of the Central Board, when the origina security is of the kind specified in sub-clause (v)".

Schedule I, Part II, Ibid.

(i) The Bank shall not make any loan or advance
(a) for a longer period than six months, or
(b) upon the security of stocks or shares of the Bank, or
(c) upon mortgage or in any other manner upon the security of any immoveable property or the documents of title relating thereto.

(2) Ibid.

"The Bank shall not (except on a security of the kind specified in sub-clauses (i) to (iv) of clause (a) of Part I xx xx lend or advance in any way to any individual or partnership firm an amount exceeding in the whole at any one time such sum as may be prescribed.

(3) Ibid.

"The Bank shall not advance and lend or open cash credits on the securit of any negotiable instrument of any individual or partnership firm, which does not carry on it the several responsibilities of at leas two persons or firms unconnected with each other in general partnership".

(4) Ibid.

"The Bank shall not advance and lend or open cash credits on the security of any negotiable security having at the date of the proposed transaction a longer period to run than six months or, if drawn after sight, drawn for a longer period than six months".

14. The Imperial Bank of India Act ~~requires~~ Specifies the classes of securities which can be accepted as original security and those which can be taken only as collateral security. In the former category are included only

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only guaranteed securities, goods and promissory notes bearing the names of at least twe persons or firms unconnected with each other in partnership. Fully paid-up shares and debentures of ordinary Joint-Stock Companies and immoveable property can be accepted only as cover, collateral to guaranteed securities and when specially permitted, as additional security for loans primarily resting on the promissory notes of two or more persons. The Imperial Bank is precluded from making loans for a longer period than six months. It cannot also advance money on the security of its own shares or immoveable property. It is also required to limit the total amount of loan that can be given to any person or partnership firm at any one time to such sum as may be prescribed.

15. The Bank of Mysore can, under its existing constitution, accept as original security debentures, stocks and shares (even partly paid-up) of Joint-Stock Companies. The values of shares and debentures of companies are subject to large fluctuations and it is not desirable to accept them as the sole security for loans. The Charter Act of the old Bank of Bombay permitted the advancing of money on the shares of Joint-Stock companies and the free use made of this power was one of the causes of the failure of t h a t Bank.

16. The Bank of Mysore is permitted to lend on the security of the machinery, plant and other stock of Mills, Factories or any other industrial concerns and loans of this kind involve the lock up of funds for long periods and cannot, without inconvenience and risk, be made out of short money at the disposal of the Bank.

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17. The Memorandum of the Bank of Mysore does not specifically refer to lending on guaranteed securities of any kind, on goods or documents of title thereto, and on promissory notes. Such loans are being made by the Bank, apparently under the general clause which allows the Bank to transact "business of banking in all its branches and departments." It is desirable to include definite provisions for authorising advances of this nature.

18. There is no limit of time in regard to loans that can be made by the Bank of Mysore. The Imperial Bank of India cannot make a loan for a longer period than six months. The funds of Banks like the Imperial Bank of India and the Bank of Mysore consist of balances of current and short-term deposit accounts and the loans that they can make, can only be commercial loans, i.e., loans for a season. The imposition of a time limit for loans of the Bank of Mysore is necessary as in the case of those of the Imperial Bank of India.

19. The grant of loans on the security of the shares of the Bank of Mysore should not be made and it is necessary to clearly state this point in the Memorandum.

20. In the case of loans on the personal security of individuals or partnership firms, it is necessary to prescribe a limit of the amount that can be advanced. Apparently, a rule of this kind is being followed by the Bank of Mysore and it is well to formally recognise the practice.

21. As regards the proposal to restrict the securities on which loans can be made, Mr. Rose has expressed

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expressed the following opinion in his letter of the 19th June 1922.

"It would, no doubt, be a safeguard and con-
"venient banking policy for the Directors to in-
"sist on the deposit of Government paper and other
"such liquid securities to which some people imagi
"imagine the Imperial Bank of India solely restric
"their advances; but the fact should not be lost
"sight of that Rs. xxxxx six crores and more of
"Bank's advances are represented by discounts(un-
"secured by any security). I do not wish to
"impute that these discounts are unsafe; but that
"the Imperial Bank is in a position to obtain the
"finest bills available bearing several good en-
"dorsements.

xx xx xx

"For the Bank of Mysore to go in for similar
"discounting business would mean advances on a
"single name or the creation of mere accommodation
"paper on two names.

xx xx xx

"The demand of the Bank for some kind of
"collateral security is only right and it is not
"the fault of the Bank if the main security avail-
"able ix is the deposit of title deeds relating
"to immoveable properties."

22. The Imperial Bank of India can lend not only on guaranteed securities and on goods but also on promissory notes. The Imperial Bank of India Act, however, requires that the promissory notes to be acceptable should bear the signatures of at least two persons or firms. Mr. Rose states that two names do not always afford more protection than a single name and that in view of prevailing conditions in Mysore, insistance on two names would result in the creation of mere accommodation paper on two names.

23. There is no doubt that some force in this criticism and J.M.Keynes has observed as follows in his book on Indian Currency and Finance in regard to the provision which permits the Imperial Bank to lend on promissory notes bearing two names:-

"This provision allows a loop hole by means
"of which the rules can be made to work in prac-
tice

"practice less rigorously than appears on paper. "Any two names will satisfy the letter of the "Act; but any two names are not necessarily "very good security. After getting two names to "satisfy the Act, the authorities of the Banks "can then proceed to satisfy the dictates of "cautious banking by taking, as well, some other "kinds of security upon which, technically, they "are forbidden to lend".

The new Bank of Bombay once proposed to lend on one name only but this suggestion was not accepted by the Government of India. According to the Memorandum as it now stands, the Bank of Mysore can lend even on promissory notes bearing a single name as the sole security without taking any kind of collateral securit

24. Though two names may not always mean more protection than that afforded by only one name, it is safer for purposes of generally regulating the work of the Bank to require two names, when loans are to be made on personal security as the original security. The need for taking additional security as collateral remains, as stated by J.M.Keynes, in all cases in which personal security is not regarded as sufficient.

25. The paucity of guaranteed and of trade bills securities and the consequent larger use of promissory notes for obtaining accommodation necessitates, as stated by Mr Rose, the acceptance of immoveable property as collateral security. Subject to the necessary precautions there is no objection to this arrangement which is permitted by the Imperial Bank of India Act also.

26. The following extract from the Report of the Commissioners appointed to enquire into the failure of the Bank of Bombay is relevant to the present discussion:-

"We will now contrast the provisions of "Act X of 1863 with the old one, No.III of 1840 and show the important alterations effected by "the new Act.

First.- The old Act prohibited the discount of negotiable securities, unless two persons or firms unconnected in partnership were ~~borne~~ bound by such security.

The new Act allowed the discount of any negotiable security, consequently the discount of a promissory note signed by one person was permitted.

Second. The old Act prohibited any advance on bank shares or any certificate of shares.

The New Act allowed advances to be made on the security of shares in public companies in India; it did not require that all the calls on such shares should be paid up or prohibit advances on the premia of shares.

Third.- The old Act prohited all advances (except loans on the security of Government paper bullion or imperishable goods) to any one firm of partnership for a larger amount than three lakhs or for a longer period than three months.

The new Act contained no such restriction. The relaxation introduced by the first, second and third alterations were most unwise. Their importance did not attract the attention of the Government or the Legislature and they were, therefore, made without consideration or discussion. They opened the door to great laxity of practice and a ruinous system of banking and were, in fact, the chief cause of the Bank's failure."

27. For the reasons stated above, I consider it necessary to revise and amplify on the lines of the Imperial Bank of India Act the provisions in para 3 of the Memorandum relating to the lending of money by the Bank of Mysore. It is, of course, necessary to include in the list of guaranteed securities acceptable as security the securities of the Mysore Government and those guaranteed by that Government.

The new provisions in regard to lending may be allowed as under:-

Lending money and opening cash credits for a period not exceeding six months in each case on the security of

(i) securities of the Central Government of India, of the Provincial Governments of India and of the Government of Mysore,

(ii) securities issued by State aided railways or by municipal corporations, District Boards and Port Trusts and guaranteed by any of the Governments noted under (i) Supra.

(iii)

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(iii) goods which or the documents of title to which are deposited with or assigned to the Bank,

(iv) accepted bills of exchange and promissory notes endorsed by the payees and joint and several promissory notes of two or more persons or firms unconnected with each other in general partnership.

Fully paid shares and debentures of companies with limited liability excepting the stock or shares of the Bank or immoveable property or documents of title relating thereto may be accepted as collateral security only when the original security is one of those specified under (i) to (iii) supra. and if so authorised by any general or special directions of the Board, when the original security is of the kind specified under (iv) supra.

Except on the security of the kind specified under (i) to (iii) supra, no individual or partnership firm should, in any way, be allowed by way of loan or advance an amount exceeding in the whole at any one time such sum as may be prescribed as the limit for such purpose.

28.

The Bank of Mysore.

Dealing in Bills of Exchange and other securities.

Part 3 (B).

"the discounting,buying, selling,and dealing, bills of exchange,hoondies, poorjas,promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not".

The Imperial Bank of India.

Schedule I, Part I (d).

"the drawing, acceptance, discounting, buying and selling of bills of exchange and other negotiable securities payable in India. xx xx xx.

Schedule I, Part II (2).

"The Bank shall not (except on a security of the kind specified in sub-clauses (i) to (iv) of clause (a) of Part I discount bills for any individual or partnership firm for an amount exceeding in the whole at any one time such sum as may be prescribed".

Schedule I, Part II (3).

The Bank shall not discount or buy any negotiable instrument of any individual or partnership firm, payable in the town or at the place where it is presented for discount, which does not carry on it the several responsibility of at least two persons or firms unconnected with each other in general partnership."

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The Bank of Mysore.

The Imperial Bank of India.

Schedule I, Part II (4).

"The Bank shall not discount or buy any negotiable security having at the date of the proposed transaction a longer period to run than six months or, if drawn after sight, drawn for a longer period than six months."

29. The Imperial Bank of India can deal only in securities which are negotiable while the Bank of Mysore is permitted to deal in "instruments and securites whether transferrable or negotiable or not". Again, ordinarily only securities payable in India can be handled by the former Bank and there is no such definite restriction in the case of the latter Bank. As the Bank of Mysore cannot, under Exception (a), engage in foreign exchange operations, dealing in bills payable outside India is apparently not intended and it is necessary to make this intention clear. From the point of view of the lending Bank, the business of discounting and that of lending are, in essence, of the same character and the safeguards required in the one case are equally necessary in the other.

30. For ~~the re~~ these reasons, the portion of para 3(B) of the Memorandum may be revised and amplified on the lines of the corresponding provision of the Imperial Bank of India Act.

The new provision in regard to dealing in bills of exchange, etc., may be as under:

"the drawing, accepting, discounting, buy- and selling of bills of exchange or other negotibale securities payable in India, subject to the following conditions:

(i) except on a security of the kind specified in (i) to (iii) under Lending, bills for any individual or partnership

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partnership firm shall not be discounted for an amount exceeding in the whole at any one time such sum as may be prescribed.

(ii) A negotiable instrument of an individual or partnership firm, payable in the town or at the place where it is presented for discount shall not be discounted or bought unless it carried on it the several responsibilities of at least two persons or firms unconnected with each other in general partnership.

and (iii) Any negotiable security having at the date of the proposed transaction a longer period to run than six months, or, if drawn after sight, drawn for a longer period than six months shall not be discounted or bought.

31.

The Bank of Mysore. — The Imperial Bank of India.

"the underwriting"

This provision is unqualified and it may include the underwriting of even industrial capital. The underwriting business is generally speculative in its nature and it is well not to engage in it.

32.

The Bank of Mysore. — The Imperial Bank of India.

Schedule I, Part I (e).

"the investing of the funds of the Bank upon any of the securities specified in sub-clauses (i) to (iii) of clause (a) and converting the same into money when required and altering and converting and transferring such investments for or into other investments above specified".

33. There is no provision in the Memorandum of the Bank of Mysore regarding the kinds of securities in which the capital and reserve funds of the Bank may be invested. The Bank is now making such investments only in the best securities and it is necessary to include a rule in the Constitution of the Bank to define the classes of securities authorised for this purpose.

The

The following provision may be added:

> "The funds of the Bank can be invested only in the classes of securities specified in (i) and (ii) under Lending."

34. Of the four questions referred to in para 2, the last relating to the general conditions subject to which Government balances may be entrsuted to the Bank have been so far considered. That regarding the transfer of cash work to the Bank is the subject of a separate file which is linked with this. This question is connected with some measures of decentralisation of audit work and I have expressed my views on it in my note dated 14th November 1921 which is in the linked file.

35. The third question is the revision of the agreement under which a part of the Government balances at Bangalore is kept with the Head Office of the Bank at that place. What part of the balance at Bangalore should be kept with the Bank of Mysore is the first point to be considered. The existing arrangement requires that about one-third of current balances at Bangalore (excluding the balance in the State Huzur Treasury) should be kept with the Bank: vide D.O. letter dated 2nd March 1918 to the Chairman of the Bank. This arrangement is unworkable as pointed out by both by the Bank and the Comptroller. The only satisfactory method to be adopted is to fix a minimum below which the balance should not ordinarily be permitted to go. This arrangement is suggested by Mr. Rose in his letter of the 19th June 1922 and also by the second Committee: vide proceedings of the second meeting of the Committee dated 16th November 1921. It should, of course, be open to Government

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to draw upon even this minimum, in case of need but in such circumstances, sufficient notice ~~xxx~~ of temporary reduction of the minimum should be given to the Bank which should also be paid interest on the difference between the standard minimum and the balance actually maintained. We have not guaranteed any minimum balance in respect of our account with the Imperial Bank of India at Bangalore and there is, accordingly, no obligation to pay interest on any deficiency compared with such balance.

36. In his letter of the 19th June 1922, Mr. Rose states that the proposals made in it are subject to the condition which is thus expressed:

> "Provided the Government make the Bank their principal bankers in the State and in British India and entrust to the Bank all the banking business which is now wither carried on by Government Treasury Department or through the agency of the Imperial Bank of India and which the Bank of Mysore is capable of fulfilling."

It is not clear from this, if the Bank of Mysore requires Government to sever its connection with the Imperial Bank of India altogether. We have now accounts with three branches of the Bank, namely, those at Bangalore, Madras and Bombay. Considering the position of the Imperial Bank in India, its relations with the Government of India, our long connexion with it in the past and its resources to help the Government of Mysore, directly or ~~xxxxx~~ through the intercession of the Government of India, when the need for such assistance may arise, it is undesirable to lose the good will of that Bank by closing our account with it. The Bank of Mysore will, of course, be the Government bankers for treasury work in the State at all places where it has the organisation to undertake

undertake it and we may also try to entrust to it such work outside the State which it can do as well as the Imperial Bank of India.

37. Under the existing agreement, the Bank of Mysore allows the same interest on our balances with it as the Imperial Bank of India, i.e., interest at 2 per cent. below the Bank rate subject to a maximum of 6 per cent. on the monthly minimum balances from January to March and at 2½ per cent. from April to June and no interest from July to December.

The second Committee has proposed the following new arrangement for regulating the payment of interest on the balances kept with the Bank of Mysore: vide proceedings of the second meeting of the Committee dated 16th November 1921:

> "As regards the interest to be paid to Government, the Committee recommend that the Bank allow interest on Government floating balances at the rate of per cent. on monthly minimum balances during the first six months of the year and a similar rate of interest for the second half year but calculated on the average of the monthly balances of the first six months as the maximum sum on which interest will be allowed but if such maximum be not maintained then on the average monthly minimum balances for the second half year".

The particular rate of interest to be allowed was not fixed but was left to be decided with reference to statistics of actual interest earned on Government balances in the past. The present arrangement under which no interest is allowed for half the year is not quite fair to Government and the rate of interest to be allowed whether during the first or the second half of the year may bear some reasonable relation to the Bank rate and the interest which the Bank itself can earn on its cash balances invested in the most liquid forms like Treasury Bills or short term deposits in Banks in the Slack Season.

38. The question of interest to be allowed on Government balances is a matter to be settled by compromise and any reasonable consideration due to the Bank in view of the restrictions on its business to which it is required to agree has, to be extended to it. The soundness of the ~~utilisation~~ institution, the safety of its funds and the advantages to the trade and commerce of the State should, I think, be considered by Government as of greater value than the amount of interest to be earned on the public balances kept with the Bank.

39. As regards the second question referred to in para relating to Public Debt, as much as possible of the work as is now done in the Comptroller's Office may be transferred to the Bank which may be remunerated for this service by payment of an amount calculated with reference to the cost now incurred by Government. For some time after the transfer of this work to the Bank, the services of the staff trained to do it may be lent to the Bank: vide the proceedings of the first meeting of the Committee dated 25th October 1921. The details of the work to be made over and other connected arrangements can be settled by the Comptroller in consultation with the Bank.

(B.N.K.) 1.7.22

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Ram Das Pantalu's
article on Banking
in 'Hindu' 19th.

German model as
not suitable for India
Individual banking. Like
Combined with joint stock
Banking

Thus Babson's recom-
mendations to C.B.E.
Committee.

Also in accordance with
that Macmillan Committee
view.

Committee like German Individual
banking is combined with joint
stock Banking. There seem like no
real difficulty in India for Joint Stock Banking
The speaker felt that the
German model was not
suited to India

42 D.O. No. M. 65. dated 6-8-22

From the Dewan of Mysore
To the Financial
Secretary to Government

BALLABROOIE,
HIGH GROUND,
BANGALORE.

6th August 1922.

Dear Mr. Krishna Rao,

I send herewith Mr. Rose's reply to your note. I want to have a discussion on my return from tour, and in the meantime, please keep all the papers ready.

Yours sincerely,

M. N. Krishna Rao, Esq., B.A.,
Financial Secretary to Government.

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The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

Bangalore, 4th August 1922.

D.O Letter dated 4th August 1922 from the Manager, Bank of Mysore to the Dewan of Mysore

No. D.O.

Dear Mr. Banerji,

I enclose my reply on the proposals made by the Financial Secretary regarding the future relationship between the Bank and the Government, which has the approval of the Chairman.

I venture to think that a personal discussion, on the kinds of business and conditions which the Financial Secretary desires to enforce, is preferable to a never-ending discussion on paper; and will be pleased to meet you for this purpose any day and hour convenient to you.

Yours Sincerely,

MANAGER.

A. R. Banerji, Esq., I.C.S., C.S.I., C.I.E.,
Dewan of Mysore, Bangalore.

Encl. 1 Note.

Mr Rose's 44

N O T E.

I have perused the Financial Secretary's Note on the future relations between the Government and the Bank, and cannot help remarking that he has pitched his views on Banking in a very pessimistic tone, and made the relations too rigid and mutually inconvenient.

Banking, as well as Government Administration, have made much progress since the failure of the old Bank of Bombay in 1866, when Banking in India was in its infancy, and Directors and Managers were largely inexperienced, with no audit of accounts by Chartered Accountants appointed by Shareholders as at present. The Financial Secretary has laboured to draw up Articles of Association which are to prevent the making of bad debts, but he might just as well endeavour to draw up a Code to prevent Governments from spending Tax-payers' monies. I can assure him that no Articles of Association, or Companies' Acts can prevent the making of bad debts or even failures. Banking cannot be conducted on any rigid conditions. You must have elasticity to meet the varying circumstances

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that

that constantly arise. Shareholders must elect efficient and honest Directors, and the latter appoint capable Managers. Nothing more is wanted. The personal element in Banking must and should be supreme. Combined with these two important factors, shareholders and the Government should appoint Chartered Accountants of the highest standing to conduct the half-yearly audit, and to guard against these contingencies I have made suitable provisions, and in favour of the Government, in my Note of the 19th June 1922, in page 5 Clauses f, g, and h. It is only when you have these personal factors absent, or working in collusion, that failures, such as those which the Financial Secretary has so ingrained in his mind, occur. Now, before discussing the kinds and conditions of business proposed by the Financial Secretary, merely by reason of the deposit of a problematical amount of Government funds, withdrawable at any time, I venture to submit that the Government should first clearly state the extent of Government funds likely to be deposited, and whether the Bank of Mysore is to be the main Bankers of Government. If I read the intention of the

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Financial

Financial Secretary correctly, I gather he is still anxious to maintain some portion of the Government Balances with the Branches of the Imperial Bank of India, and thus to perpetuate the competition he is capable of raising between the two Banks to the advantage of the Government. I would here ask, is the Financial Secretary justified in submitting such limitations and restrictions to the Bank's operations without the Government first undertaking to definitely maintain their funds, in the State, in the Bank of Mysore? Is the Bank of Mysore to first have its activities held up and restricted by an act of agreement with Government, and then be forced to accept such terms and conditions which the present, or any future, Financial Secretary to Government may insist upon if he thinks it expedient to deposit Government funds with the Bank? I would here invite the attention of the Financial Secretary to the very specific and clear conditions conceded by the Imperial Bank of India under their agreement with the Government of India, and if the

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Financial

Financial Secretary really believes that the Bank is so completely safeguarded from making bad debts, by the restrictions in business which the Imperial Bank Act imposes, which I take leave to doubt, surely he will admit that the advantages secured by that Bank from the Government of India more than outweigh any loss of business for which the Imperial Bank Act may be responsible! As is well known, the Imperial Bank of India has the deposit of all the funds of the Government of India free of interest, and the magnitude of this concession can very forcibly be realized from the fact that the Bank of Mysore paid the Mysore Government for the past six months Rs.1,32,700/- (Rupees One lakh thirty two thousand seven hundred) by way of interest on its funds in the Bank amounting to about Rs.68 lakhs. If we multiplied the interest paid to the Mysore Government ten times, or even more, the result would probably represent the interest saved by the Imperial Bank of India through the generosity of the Government of India, and merely by reason of their having undertaken to open 100 new Branches within 5 years, and to accept the appointment of a Government Director!

49

Can

Can it be said that the proposals of the Financial Secretary are as definite in this respect, i.e., the deposit of Governmend funds, as the Government of India?, and can he conceive the Presidency Banks' in 1920 agreeing to amalgamation if they were still to be liable to competition with some other Bank, and with no definite promise that they would have the full custody of all Government funds? If, as the Financial Secretary very wisely remarks in para 38 of his Note, that "the soundness of the institution, the "safety of its funds, and the advantages to the trade "and commerce of the State should be considered by "Government as of greater value than the amount of "interest to be earned on the public balances kept "with the Bank", why does he not offer to put into effect so statesmanlike a declaration by offering to forego the payment of interest on Government balances if the shareholders of the Bank will accept all the provisions of the Imperial Bank as contained in Schedule I, Parts 1 and 2, duly modified to meet local

50

conditions?

conditions? But I do not see any necessity to alter the Bank's Memorandum & Articles of Association which are identical with those of the Bank of Baroda and other Joint Stock Banks in India, and are not in practice any way different to the provisions of the Imperial Bank of India Act. It is well known that the Baroda Government whole heartedly supports its principal Banking Institution by the deposit of all its funds, and also entrusts the Treasury business to the Bank, and as a remuneration, grants 5 lacs of monies to that Bank free of interest. I fully realize the necessity for the safety of public funds, but is there any act on the part of the Directors during these past nine years that can warrant the Financial Secretary taking a view of disasters ahead of the Bank of Mysore imperilling the safety of Government balances? Has the Bank, young as it is, shown itself incapable of undertaking any business entrusted to it by the Government? It is only during the last 2 years that the Government have shown any appreciable degree of confidence in the Bank, and which was in a great measure due to the advances which the Bank

51

undertook

undertook to make to subscribers to the Government loans, and the repayment of which the Government were pleased to retain in the Bank for 2 years. Even in this venture, on behalf of the Government, the Bank has suffered a loss of over Rs.5,000/- through repudiation by subscribers, introduced by responsible Government Officers, to pay instalments and the depreciation of Government's own security. Has the Financial Secretary given any consideration to the claims of this young institution for the most generous and favourable consideration of Government, both for its services to Government and the immense assistance it has been to the trade and commerce of the State, and contrast this performance with the ~~ob~~ boycott which the Mysore Government Loans received, and which the public now experience, at the hands of the Imperial Bank of India? Is he aware how little the Government funds in the Imperial Bank of India, Bangalore, are utilized for the trade and commerce of this State? It is no secret that the surplus funds of the Bangalore Branch of the Imperial Bank are utilized for the financing of the operations of its Branches in British India, and the policy of that Bank in Bangalore, has been to make Banking competition as severe as possible

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to

to a young institution like the Bank of Mysore. There is, I presume, the fear in the mind of the Financial Secretary that the richer and stronger Bank is likely to be more capable of affording accommodation to the Government on occasions of urgency than the Bank of Mysore, but why not by such action, as is described by the Financial Secretary in para 38, and also by making it the paramount financial policy of the Government to strengthen the Bank of Mysore by every means in their power so that by its growing strength Government may be able to secure, in due time, all the financial assistance it may require? The Government now have an established institution of financial strength second to no Bank in India, and I do not hesitate to declare that it should be the aim of Government to have in the State a financial institution capable of helping Government in the development of its financial policy, and at the same time be the means of affording all Banking assistance to the trade and commerce of the State. The Bank of Mysore is quite capable of raising another 20 lacs of capital at a premium of 10 lacs; but such a course would be

56

suicidal

suicidal if it is to have its operations restricted in the manner indicated by the Financial Secretary in his Note, not to mention the hampering of the trade and commerce of the State, and at a time when Banking facilities are at a minimum. The only result that I can foresee by the Directors adopting the restrictive policy suggested by the Financial Secretary, solely, as I have remarked, for a problematical deposit of 5 lacs of Government funds in the Bank, would be the creation or the encouragement of another rival Bank conducted on ordinary Joint Stock Companies' principles.

In conclusion, I submit it is for the Government to first declare their attitude to the Bank on the lines similar to those of the Government of India, and if such be sufficiently advantageous to the shareholders, I feel sure the Directors, on their part, will not fail to recommend proposals to the shareholders which will provide all the reasonable security which a Bank can give, and which Government

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is

S-3

is entitled to, if it materially assists in the development and strengthening of the Bank's financial position.

MANAGER.

S-3

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Omit this page

Transfer of Treasury work to the Ba
of Mysore.

The file relating to the above
ject was submitted to the Dewan on 1
July 1922 and it may kindly be sent
me for reference .

Private Secretary
to the Dewan.

The file is in Camp
at Kolar. I shall se
it as soon as I go
Kolar

Agd

Financial Secy to
Govt with Compts

It need not be sent
from Camp. I rece
a letter from the Dewa
today to say that he wi
discuss this file with the
Bank authorities on his retur
to Bangalore and asking me to ha
the papers ready at the meeti
The papers need not be sent to Kolar

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

G.R.S. III—3]

55

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

As the matter is urgent it may not be
rel'd from Court. Perhaps the Diwan himself
wants it for ref. Asst Secy

DO
8/8/22

The Connected file is
herewith sent to the Financial Secretary
the Diwan Confidential. The Diwan desires
the matter with the Bank to discussed the matter with the
Manager and the Financial Secretary at 3-30 P.M.
Secretary at 3-30 P.M. on Monday
The 23rd inst at the office of the
Manager in his chamber and
Bearing to the Bank of Mysore
is sent DO.

AC
DO
18/10/22

Mr Rose informed accordingly on 18th.
His letter acknowledging same 19th

(Sd) [illegible]
23/10/22

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

S6

The Bank of Mysore Ltd.,

Bangalore, 19 Oct. 1922

D.O letter dt 19-10-22 from the Manager, Bank of Mysore to the Finance Secretary to Govt.

Dear Mr. Krishna Rao,

Thanks for yours of the 19th. I shall be pleased to attend at the Dewan's office on Monday the 23rd inst. at 3:30 p.m. to discuss with Mr. Banerji the Bank's case.

Yours truly

After this Continue in note on the next page

S7

N.B.— Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

57 -209 98. (1) 1

G. R. S. III-2]

General and Revenue Secretariat.

G.F File No. 98 of 1922

Serial No. (1)

Financial Secretary's note (illegible) 19-12-22.

Government and the Bank of Mysore.

The question of settling the future relations of Government with the Mysore Bank has not made any progress. Mr. Rose and myself were instructed by the Dewan to discuss the question and formulate definite proposals on the lines of the general understanding arrived at. Mr. Rose has apparently been busy and has not found time to attend to this matter. I was also until recently occupied with the Constitutional Committee work and could not call on Mr. Rose to discuss the question with him. I now propose to address him as in the draft and communicate to him the chief points of the understanding arrived at, with a view to further action being taken.

The Draft may be approved.

DEWAN'S OFFICE. RECD DEC 18 1922 No. 3660

DEWAN.) (Approved) 3 attested (17.N.K) 18.12.22

(May issue) 47—A.R.B 19.12.22 May issue June (illegible) 6/12/22

58

Serial No. 1

No. Fl.2856 dated 19th December 1922.

To the Manager, Bank of Mysore,

Detailing the chief points of understanding between Government and the Bank re. transfer of treasury work.

NOTE—Contn. sheet.

58

(2)

G. R. S. III-2]

General and Revenue Secretariat.

52 File No. 98 of 1922

Financial Secy's note dated 3-4-23

Serial No.

R.

1 As desired by Mr. Rose in his letter dated 9th March 1923, I met him on the 17th of that month and discussed the details of the arrangement necessary for defining the future relations of Govern ment with the Bank. The points considered were;

(1) payments in India,

(2) investments in India,

(3) custody of securities,

(4) drawing of interest on securities,

(5) drawing of supply bills,

(6) Public debt work of Government,

(7) Public debt work of Local Bodies,

& (8) Current account with the Bank at Bangalore including the question of interest to be allowed upon the balance of this account from July to December for which period no interest is paid under the existing agreement.

The draft agreement put up shows the proposed settlement of these points.

59

2 Mr. Rose raised the question of the continuance of the deposit of Rs.10 lakhs. I stated that this was a matter for the orders of Government. In view of the intimate relation that should exist between Government and the Bank, and certain restrictive conditions which we require the Bank to obser ve

NOTE—Contn. sheet.

Serial No.

observe, I think it is necessary to show some consideration to the Bank by way of allowing the deposit to be continued for another limited period. Mr.Rose wanted the deposit of Rs.10 lakhs to be continued for another ~~10~~ 5 years at 5 per cent. interest. In the proposal I have put forward, I have suggested that the deposit of Rs.10 lakhs might consist of a sum of Rs.5 lakhs as the minimum balance of our current account and the balance of Rs.5 lakhs ~~as~~ as a separate ~~account~~ amount of amount to carry 5 per cent. interest. The rate of 5 per cent. is about 1 per cent. less than what we can get elsewhere but at the full rate of interest there would be no concession allowed to Bank ~~generally~~. In view of this fact and of the probability of the rate of interest going down in the future, I think we may agree to the rate of 5 per cent.

3 When Mr. Rose discussed the question with the Dewan he suggested that in the interests of stability of the Bank, it should be required to maintain 40 per cent. of its liabilities in the form of cash and Government securities. What should be maintained to guarantee the discharge of call or short-term liabilities is cash, and the reserve ratio to be maintained has to be settled in relation to cash and liabilities and not to cash and securities and liabilities. I have raised this point in my letter to Mr. Rose. For the

60

NOTE—Contn. sheet.

60

2269 / 34

(4)

G. R. S. III-2]

General and Revenue Secretariat.

97 File No. 98 of 19 22

Serial No.

the solution of this question I have suggested the adoption of an understanding arrived at between the Government of India and the Presidency Banks in 1904. I put up the following:-

(1) Draft government order regarding future relations of Government and the Bank.

(2) Draft agreement.

& (3) Draft letter to Mr. Rose inviting the views of the Bank.

The proposed Government order and the agreement require the consent of the authorities of the Bank.

The views expressed in the above three drafts may be considered as mine on which the criticisms of the Bank are invited and not as those of Government. I have made this point clear in the last para of the letter to Mr. Rose in which I have distinctly stated that on hearing from him I shall place the whole matter before Government for their orders. If the general lines of the drafts are approved, I shall send them to Mr. Rose and request him to express his opinion on them.

Shall M.M. like

3/4/23

Devdas D. Thackersey

One with actual Travelled Zapel. The general lines of Reserve Bank Draft Act with these Documents the case is more than once 4-4

DEWAN'S O
Recd. on APR 3
Reg. No.

NOTE—Contn. sheet.

Done well 4.4.23

G. R. S. III-2]

General and Revenue Secretariat.

File No. 98 of 1922

Serial No.	
Serial No. 2.	To The Manager, Bank of Mysore, Ltd. D.O. No.Fl.4608 dated 6th April 1923. Forwards draft of the agreement for defining the Government work to be entrusted to the Bank and of the draft G.O. defining the future relations of Government with the Bank and requests him to favour his suggestions in regard to both the drafts.
Serial No. 3.	From the Manager, Bank of Mysore, Ltd. D.O. dated 17th April 1923. Suggests some additions and alterations in the agreement. referred to above.
P. to E.	1. Mr. Rose's letter expressing the views of the Bank on the proposed arrangement for defining the future relations of the Bank with the Government has been received and I herewith submit it for perusal. 2. I offer my remarks on the points raised by him in the order in which they appear in his letter. (1) Fixed deposit of Rs.5 lakhs and the current account minimum balance of Rs.5 lakhs.- As far as I can remember, the question of the continuance of the fixed deposit of Rs.10 lakhs was not considered when Mr. Rose discussed this matter with the Dewan. In view of the relations that should exist ~~between~~ between the Bank and the Government, the continuance

NOTE—Contn. sheet.

of the deposit for a further period at a concessional rate of interest is, I think, necessary as state in my note dated 3rd April 1923. Mr. Rose state that we have reduced the total amount to be kept wi the Bank from Rs.15 to Rs.10 lakhs. I have explained th reason for this reduction in my last letter to him. With our heavy demands we cannot afford to h a v e Rs.15 lakhs of our money locked up in the Bank and this is why I proposed to reduce the amount to Rs.10 lakhs. By making Rs.5 lakhs part of the current account, Mr. Rose contends that the Bank is deprived of the full use of this part of the deposit as, under the condition of the cash ratio proposed, it will have to maintain 33 per cent. of the amount in the form of cash. There is much force in this criticism but Mr. Rose has overlooked one important point explained in my letter to him. This sum of Rs.5 lakhs is not only to be the minimum balance but it should also be the constant minimum balance: vid para 4 of my letter. When it is a constant balance it ceases to be a demand liability and no cash reserve will be required in respect of it. When this is pointed out, I believe Mr. Rose will withdraw th objection raised by him.

Terms of Agreement.

(2) Clause No.1.- Payments in India.- There is no

objection

G. R. S. III-2]

General and Revenue Secretariat. | G7 File No. 98 of 1925.

Serial No.

objection to substitute "will" by "may" as proposed by Mr. Rose. If it is not possible for the Mysore Bank to undertake this business, we need not force it upon the Bank. As a matter of fact, we can get this business done by the Imperial Bank of India without any cost.

(3) Clause No.4.- Mr. Rose proposes that we should receive moneys at all our treasuries on behalf of the Bank and issue R.T.R. at par. This privilege will be of much value to the Bank as it will encourage deposits with it from mofussil stations. The arrangement, however, imposes some extra work on the treasuries and may possibly add a little to the cost of remittances from mofussil treasuries to Bangalore. It is desirable to show this concession to the Bank but with a view to reduce the number of petty items and to prevent excessive remittance cost that may be involved by ~~remittances~~ transfers of heavy amounts, I may propose that the amount of each R.T.R. should not be less than Rs.100 and that the value of R.T.R. applied for from any treasury in any one month should not exceed Rs.5000. Mr. Rose proposes that we may permit the Branches and Agencies of the Bank to make remittances by means of R.T.R. if the issue of the latter is convenient to the treasury to which payments are made. Subject to the condition proposed

NOTE—Contn. sheet.

proposed by Mr. Rose, there is no objection to show this consideration also.

(4) Clause No.6.- Mr. Rose proposes that option may be reserved for the Bank to limit the maximum amount to the credit of our current account to Rs.20 lakhs. This is with the object of minimising the liability of the Bank to pay interest to us on occasions when it cannot usefully employ all the amount we may leave with it. We need have no objection to allow this option to the Bank as the surplus over Rs.20 lakhs can be invested by us otherwise ~~if we can get safe and short-term investments~~ in the form of deposits in the Imperial Bank of India or in Indian Treasury Bills.

The Bank also asks for a week's notice in the case of withdrawals exceeding in the aggregate --- Rs.2 lakhs. We may agree to this provision subject to the condition that the Bank should not insist upon this notice in cases of emergency when we are not able to foresee our demands a week before.

(5) Clause No. 7.- Period of Agreement.- Mr. Rose states that the period may be extended from three to five years. This may also be agreed to.

As regards the cash ratio, Mr. Rose suggests that we may allow the Bank to treat short deposits not exceeding 30 days' notice and unpledged Government

G. R. S. III-2]

General and Revenue Secretariat.

File No. 98 of 1922

Serial No.

of India securities as equivalent to cash. It is undesirable to yield in this matter. A minimum reserve for guaranteeing the discharge of demand liabilities must be maintained in cash. Mr. Rose states that he takes "no exception to the proposed 33 per cent." As the minimum balance of Rs.5 lakhs of our current account is proposed to be kept constant, it will not, ~~therefore,~~ require any cash reserve, and the position will accordingly be different from what is assumed to be by Mr. Rose. In view of this consideration and also of the fact that a reasonable cash ratio is the best bulwark of stability, we may request the Bank to agree to the ratio of 33 per cent. proposed by us. I think the Bank will now agree to this condition.

Mr. Rose also proposes that the Government should, in times of monetary pressure, grant loans to the Bank at 6 per cent. interest to the extent of 90 per cent. of the value of their own bonds and the Government of India bonds on which the Bank itself has made advances, and in support of this proposal Mr. Rose refers to the Hon'ble Sir Basil Blackett's undertaking to lend money to the Imperial Bank of India to the extent of 12 crores from the Paper Currency account. It is out of the question for us to entertain this proposal. The Bank has overlooked the fundamental difference in this respect between the Government of Mysore and the Government of India.

NOTE—Contn. sheet.

lat

G. R. S. III-2]

General and Revenue Secretariat.

File No. 98 of 1922

Serial No.

latter has the power to issue currency notes while the ~~xxxx~~ former has no such power. The arrangement for which provision was made according to the recommendation of the Babington-Smith Committee and which the present Finance Member proposes to extend is that of increasing the currency note issue in times of monetary stringency and basing such issue upon commercial bills of exchange. We have no such currency creating powers and we cannot accept the obligation to help trade by measures calculated to reduce the cost of banking accommodation.

I put up a draft reply to Mr. Rome.

D.E.W.A.N.)

(M.N.K.) 20/4/23

The draft is approved. (Illegible)

The draft is approved

(A.R.B.) 23.4.23.

Rome - Secy. (M.N.K.) 23.4.23

24/4

Serial No 4

To the Manager, Bank of Mysore.

No F1 4973 S. 24.4.23.

Forwards for concurrence a revised draft Agreement embodying the additions & alterations to be made in view of the suggestions contained in his letter.

CEVAN'S OFFICE. APR 21 1923 No. 6200

NOTE—Contn. sheet.

4925 / 14464 / 11

G. R. S. III-2]

General and Revenue Secretariat.

File No. 98 of 19 22

Serial No.

Serial No. 5

To the manager Bank of Mysore.

No. H 986 d 28.4.23

States that an omission was made in the draft agreement sent with the previous serial and requests him to make necessary additions with agreement by inserting the omitted clause & numbering it as No 9. & renumbering the final clause as 10

Serial No 6.

From the manager Bank of Mysore

No. dated 28.4.23.

states that the necessary changes have been made.

Serial No. 7.

From the Manager, Bank of Mysore,

D.O. dated 19th May 1923.

Communicates the approval of the Board of the Bank of Mysore to the draft Agreement between the Government and the Bank.

Contains enclosed. Has the note on the next page

R.J.D.

NOTE—Contn. sheet

(12)

G. R. S. III-21

General and Revenue Secretariat. | Fl.-File No. 97 98 of 1922.

Serial No.

20 Mr. Rose has communitated in his letter of the 19th instant the approval of the Board of the Bank of Mysore to the draft Agreement. The case is now ready for the orders of Government.

The existing arrangement expires about the end of September next and the new Agreement has to be brought into force from 1st October as stated in Mr. Rose's letter. The Bank is allowed a deposit of Rs.5 lakhs free of interest and another of the same amount at the concessional rate of 4½ per cen till the end of September next and this is the reaso why the new arrangement cannot be brought into force immediately. The order defining the future relatio of the Bank with Government may be published as soon as ~~orders are passed~~ the arrangement proposed in it is finally approved, and the Agreement regarding the detailed conditions, on which Government business is to be entrusted to the Bank, brought into effect from 1st October next.

Dewan

Mull (Sd.) M. K. 22/5/23

DEWAN'S OFFICE. Rec'd. on MAY 22 1923 Reg. No. 6833

2) The Draft- as it stands approved in the file may be taken up for issue.

22/5

1) Do The Chief Secy with compts

Mull 29.5.23

NOTE—Contn. sheet.

(For Disposal at a Meeting)

No. C. 530
of 1922-23

GENERAL AND REVENUE SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xii of the schedule.)

Subject

Agreement between the Government of Mysore and the Bank of Mysore, Ltd.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

31st May 1923.

(Sd.) K. Matthan
Chief Secretary to Government.

Extraordinary Member of Council.

First Member of Council. (P.R.R.) 4.6.23

Second Member of Council. M.H.H. 5.6.23

Third Member of Council.

Continue here the opinions of the Council on the next page.

Extract from the Proceedings of the 651st *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 14th June 1923. *19* .

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300. Subject. - Clause xii of the schedule.

Agreement between the Government of Mysore and the Bank of Mysore, Ltd.

OPINION OF THE COUNCIL.

The draft agreement to be entered into between the Government and the Mysore Bank may be approved.

(Signed) A. R. BANERJI,

Dewan of Mysore.

Continue the notes on the next page -

"EXTRACT"

Chief Secretary to Government.

WD 433—GPB—1,000—1-9-20

H.C.112 C530

General and Revenue Secretariat.

Subject.—

Agreement between the Government of Mysore and the Bank of Mysore, Ltd.

Extract from the Proceedings of the Council is ~~xxxxxxx~~. forwarded with compliments, to the Financial Secretary.

16/6

26 Please put up a full D&N mentioning the discussions and the eventual decision. 18/6/23

27 Submitted with a D. S. N. as per orders. 24/6.

28 Please put up a clean typed draft very early. Please note that these papers should be printed after issue of Govt orders 25/6/23

29 Resubmitted with a typed copy. Action will be taken to get the papers printed after issue of Government Order. Draft Submission note to put up. 30/6/23

30 DSN to put up. 30/6

Decision (A.R.B) 1.7.23

Confirm the Submission

NOTE—Contn. sheet.

Mono WD 1190—GPB—500—9-1-23.

Submitted to His Highness.

The accompanying papers relate to the settlement of the future relations of the Mysore Bank with the Government, and the agreement arrived at for the performance of the business of Government to be entrusted to the Bank.

2. The Committee which reported on the measures to be taken to improve the resources of the Bank of Mysore and to enhance its usefulness, recommended the appointment of two fresh committees, one to submit detailed recommendations for transfer of cash work to the Bank, and the other to suggest the revision of the Bank's Memorandum and Articles of Association, and to submit a draft agreement defining the terms and conditions to regulate the relations of Government with the Bank.

3. In dealing with the former committee's report, it was found desirable to defer action recommended by it until the general questions of the conditions to be insisted on, for the safety of Government Balances to be entrusted to the Bank, was settled. This question was to be settled by the second committee (vide paras 4 and 6 of Government Order No.Fl.3104-63/G.F.93-19-25 dated 12th November 1920.) which met three times. When it came to consider the question of revising the Bank's Memorandum and Articles of Association, with a view to include in them restrictive provisions in regard to the employment of funds somewhat on the lines of the Imperial Bank of India Act, there was difference of opinion between the Financial Secretary and the Bank's representatives. On behalf of Government, the Financial Secretary urged the desirability of clearly defining, as in the case of the Imperial Bank of India, the business which the Bank may and that which it may not carry on. The Bank's representatives held that no alteration in the existing Memorandum and Articles of Association was called for as the Bank

had so far worked satisfactorily, and that the trade and Banking conditions in the State were not so well advanced as to warrant any radical changes and that what was needed was only to afford adequate security for Government balances lodged with the Bank.

4. On the 19th June 1922, Mr.Rose wrote to me enclosing a note as approved by the Bank's Board of Directors and suggesting a personal discussion. In that note, it was stated, as the opinion of the Bank authorities, that the deposit of suitable securities with Government, coupled with the arrangement of having a nominee of Government on the Board of Directors would provide all the safeguards necessary for placing the Government balances with the Bank. The point relating to the deposit of security is stated as under in the Bank's letter:-

> "In the event of a forced liquidation of the Bank, the Government to have a first claim on the Bank's Reserve fund to the extent of 50% of that Fund, if the deposit (i.e., the permanent deposit to the extent of the Bank's share capital, which it is proposed in the same letter should be kept by Government) is equal to the Bank's capital or pro rata, with maximum equal to its permanent deposit."

This safeguard did not appear to me to be altogether satisfactory and sufficient for the following reasons:-

1. The security offered, as Mr.Rose's letter purported to show, was only in respect of the permanent deposit required to be made by Government and the limit of 50% of the Reserve Fund proposed therein would for many years make the security only a fraction of such deposit.

2. This proposal involved a kind of preferential treatment to Government, in its being allowed to have the first claim over any part of the Bank's Reserve Fund, though Government was only one of the many constituents of the Bank, and such a proviso was not only repugnant to the Bank's Memorandun and Articles of Association, but also likely to evoke unfavourable criticism at the hands of the other constituents of the Bank.

3. The Government, besides being a constituent, have a moral responsibility for the Bank's safe working, and will as such have to keep watch, though, indirectly, over the bona-fides of the Institution

4. The satisfactory record that the Bank has been able

to present, was chiefly due to the ability of the personnel constituting the present management and this personal factor though a valuable contribution, was rather a precarious one and could not be always postulated as a permanent factor.

5. Hence, restrictive provisions in the nature of the business that the Bank could transact were thought necessary, for example:-nature of the security that could be accepted by the Bank when advancing loans, prohibition of granting loans on the securities of the Bank itself etc. The Financial Secretary considered it desirable to amend, as proposed in his note dated the 1st July 1922, the Bank's Memorandum for strictly defining the kinds of business which the Bank could transact.

6. As regards the question of keeping a part of the Government balances with the Bank, it was considered desirable to fix a minimum below which the balance should not ordinarily go, but to leave it open to Government to draw upon even this minimum in case of exceptional need, with sufficient notice to the Bank.

7. The Bank authorities wished to make it a condition that the Bank should be the Government's principal Bankers in the State and that all Government banking transaction should be entrusted to it. This condition was proposed to be conceded without prejudice to the relations of Government with the Imperial Bank of India.

. The Financial Secretary's note dated the 1st July 1922 on the points referred to above was forwarded to Mr.Rose for the Bank's consideration, whereupon, a note approved by the Chairman of the Bank, was sent to me by the Bank's Manager in which the points noticed in the Financial Secretary's memorandum were criticised and discussed.

8. The whole question was then discussed in detail personally by me with Mr.Rose, the Bank's Manager and the

Financial Secretary on the 23rd October 1922 and the understanding arrived at was on the lines mentioned below:-

1. the relations of Government with the Bank should continue to be as close and cordial as hitherto;

2. the question of transfer to the Bank of the business of Government Treasuries may lie over until legislation somewhat on the lines of the Imperial Bank of India Act, is introduced.

3. Government should arrange to transact as far as possible through the Bank all business relating to remittances and investments in India which is now done through other banks.

4. whatever part of the Public Debt work of Government (and also of the local bodies, if they agree to the arrangement) can be transferred to the Bank, to be entrusted to it.

5. the Bank to allow throughout the year on Government balances such interest as it can give, consistently with the investment it can find for such balances.

6. the existing agreements relating to Government current account and the payment of interest on the balances of the account, to be consolidated and provision made in the new Agreement for a minimum balance to be maintained always as far as possible

9. The Bank to maintain in the interests of its stability not less than 40% of its liabilities (excluding share capital in cash and Government securities, taken at their market value. It was also settled that action should be taken for working out the details of the measures referred to above (3 to 6) and for placing definite proposals before Government for their orders.

10. In pursuance of this understanding, Mr.Rose and the Financial Secretary further discussed the question on the 17th March and prepared a draft agreement for consideration. One of the important points dealt with in this Agreement relates to the concession of keeping a deposit of Rs10 lakhs with the Bank, which has been granted for a period of ten years in the Government order dated 12th March 1913 and which ceases in October 1923. Mr.Rose insisted upon the continuance of this deposit for another period of five year at 5% interest. In view of the intimate relations that should exist between Government and the Bank and of certain

restrictive conditions which we require the Bank to observe, it was considered desirable to continue the deposit for a further limited period. The Financial Secretary recommended that the deposit of Rs.10 lakhs might consist of a sum of Rs.5 lakhs as the minimum balance of our current account and the balance of Rs.5 lakhs as a separate account to carry 5% -- interest. Mr.Rose urged that this would have the effect of reducing the total amount to be kept with the Bank from Rs.15 lakhs to Rs.10 lakhs, but we, with our heavy demands, cannot afford to have Rs.15 lakhs of our money locked up with the Bank. Mr.Rose also contended that the Bank was deprived of the full use of this part of the deposit, as under the condition of the cash ratio proposed, the Bank would have to maintain 33% of the amount in the form of cash. When it was pointed out to the Bank that the sum of Rs.5 lakhs was not only to be the minimum balance but also the constant balance, as per terms offered by Government, this question was dropped by the Bank. The necessity of maintaining a reasonable cash ratio- 33% - to guarantee the discharge of demand liabilities,without including in the proportion short term deposits or securities was urged on behalf of Government and eventually agreed to by the Bank.

11. Mr.Rose also proposed on behalf of the Bank that the Government should, in times of monetory pressure, grant loans to the Bank to the extent of 90% of the value of securities on which the Bank has made advances, on the analogy of loans made by the Government of India to the Imperial Bank. It was pointed out to the Bank that this analogy did not apply here as such loans are made by the Government of India by issuing additional currency notes accepting internal commercial bills as temporary reserve for the extra issue and that the Mysore Government has no such power of note issue and it was therefore not possible for us to comply with the Bank's proposal. The Bank did not afterwards press this matter.

12. A draft Agreement of points as finally agreed to between Government and the Bank is attached to the Bank's last letter of 19th May 1923. The draft Government order put up in the matter, was also forwarded to the Bank authorities with the Agreement, to which the Bank has signified its approval.

13. The arrangements as finally accepted by the Bank's Board of Directors were considered in Council which met on the 14th June, and resolved as under:-

"The draft Agreement to be entered into between the Government and the Mysore Bank may be approved."

I solicit the gracious approval of His Highness to the Council's Resolution and to the draft Government order and Agreement herewith put up. The arrangement now arrived at makes the general relations of Government with the Bank permanent instead of only for a period of ten years as in the order dated 12th March 1913 relating to the formation of the Bank and also provides for the periodical settlement by mutual agreement of the terms on which the Government business should be entrusted to and transacted by the Bank.

Bangalore,
2nd July 1923

(Sd) (A.R. Banerji)

2 JUL 1923

Continued from the
the order of His Highness
On the next page-

95

92

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Draft Agreement regarding the future relations of the Mysore Bank with the Government.

H.H. No 4
2.7.23

17

Orders of His Highness

KRW
3/7/23

Financial Secy
W) I.A.R.B
5 JUL 1923

Contents of the letter
by the financial Secy to be noted
on the proof page; transcribed
in detail in the margin.

79 C 530

General and Revenue Secretariat.

23

Agreement between the Govt. of Mysore and the Bank of Mysore, Ltd.,

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to the Members of Council for perusal of

*

His Highness' orders $\frac{\text{before}}{\text{after}}$ issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure)

Chief Secretary to Govt.

Through the Secretary to Government.

.....Department.

FIRST MEMBER OF COUNCIL.

SECOND MEMBER OF COUNCIL.

THIRD MEMBER OF COUNCIL.

Financial Secy, with Compliments

NOTE—Contn. sheet.

Mono WD 1190—GPB—500 9-1-23.

32 Issue of the Memo. Covering letter with which a copy of the agreement is sent to Bank of Mysore, Ltd., to mention the necessity to maintain the undertaking

Covering letter with which the Agreement is sent to Bank of Mysore, Ltd., to maintain the undertaking regarding re-payment of the

General and Revenue Secretariat.

G. R. File No. 98 of 19 22-23

Serial No.

Done order (Flag 7) and put up draft letter to Bank forwarding agreement at once.

M. A. R. 9/23.

Serial No 28. No 71 1588-207 dated 10.7.23 to the Manager, Bank of Mysore, Comptroller, Secretaries to Govt, Other Heads of Depts, & Deputy Commissioners of Dts, defining the future Relations of Government with the Bank of Mysore and detailing the points of understanding arrived at.

Returned with a draft Covering Letter to the Bank forwarding a Copy of the Agreement, as finally agreed to. In pursuance of the Dy Secy's orders supra, a reference is made in the draft to the understanding about the Cash ratio.

In the Marked file in Flag 7 the Dewan has ordered that the question of training men in the Bank to take up Banking work in Branches, may be included in the new Agreement. In the draft letter under submission this point also is referred to subject to approval. The addition has to be made in the Agreement Submitted for orders.

Done draft approved by the Secy

9/7

NOTE—Contn. sheet.

Serial No 9 No 71 305 dated 16 July 23 to the Manager, Bank of Mysore forwarding a Copy of the Contract as finally agreed to and states that the understanding about Cash Ratio will be explained in Letter No 71 4993 dated 24-7-23

Mr. Rose may be consulted as to the form of the "Press Communique". I think it may give a little more information.

(Sd) A. R. B.

18.7.23.

G. R. S. III-2]

General and Revenue Secretariat. | File-No. | of 19

Serial No.

Communique

A draft Communique is put up

Mudh (7.7.23)
17.7.23

Dewan

Mr Rose may be consulted as to the form of the "Press Communique" should they agree to settle the matter

16/7

DEWAN'S OFFICE.
Rec'd. on JUL 1923
Regd. No. 450

Serial No 10 - D.O No 346 of 18.7.23 to Mr Rose, Manager, Bank of Mysore forwards for remarks & return the draft of a Press Communique proposed to be published in the matter of Govt's future relations with the Bank.

No reply has yet been received
May the reminder proposed issue?

Sd/ 19/7/23

19/7/23

Mudh 19/7/23

Another draft informing the Comptr of the Cash ratio arrangement with the Bank is put up for approval

Mudh 19/7/23

H Srey

NOTE—Contn. sheet.

Print this as Pl. 2 Enclosure II

D.O Letter Dated 13.8.23 from the Manager,

rial No 12.

Bank of Mysore proposes the introduction of a Reservation Clause in regard to the rate of interest payable by the Bank on Govt. Balance.

G. R. S. III-2]

General and Revenue Secretariat.

G C File No. 98 of 19 22-23

Serial No.

Serial No 11 D. O dated 11.8.23 from Mr Rose, Manager, Mysore Bank forwards a draft of the form in which the proposed Press Communique may issue, in reply to D.O No 346 dt 18.7.23.

4| The file is taken back from the H Secy's table & submitted as ordered on the P.2.8.

The draft put up to the Comptroller about the Cash Ratio understanding is for the approval of the H Secy. (Please see supra).

4 2 The originally proposed Communique is in flag P.

Subd for orders.

11/8. H Secy 43

11/8/23

Financial Secretary's C.

4 3 As directed by the Dewan on 18th July 1923, I consulted Mr. Rose in regard to the form of the Press Communique. He has suggested the addition of some points taken from paras 6 and 7 of the Government Order. In other respects he has not proposed any change in the draft Communique.

4 4 As regards the ~~conditions~~ additions proposed, I consider it desirable to omit items marked (g) and (m) on page 2 of Mr. Rose's draft. In view of our relations with the Imperial Bank, it is undesirable to publish that all our work in regard to payments and investments

NOTE—Contn. sheet.

Serial No.

investments in India is entrusted to the Bank of Mysore. (g) may therefore by left out.

The general principles have been settled by the Government Order, and the agreements in regard to items of work to be entrusted to the Bank will be settled from time to time by mutual understanding between the two parties. The particular agreement now entered into will be current for five years and it is not necessary to refer to it in the Communique. I would, for this reason, omit (m) also.

As regards (k), I have suggested the qualificati "for a further limited period" to indicate that the arrangement in regard to the maintenance of a deposit of Rs.10 lakhs is not a permanent one.

With the omissions and alterations suggested abo I think the draft is all right and it may be issued

With our letter of the 16th July 1923 a copy of the contract as finally agreed to by the Government was communicated to the Bank and the understanding in regard to the cash ratio arrived at by correspondence with the Bank was specifically referred to as one of the conditions to be observed by the Bank. Mr. Rose's reply to this communication is contained in his letter of the 13th instant. In this letter he has raised two points:

(i) He agrees to the cash ratio already settl out

Serial No.

but he is not quite correct in restating the understanding. The settlement already arrived at and as it is now stated by Mr. Rose are shown in juxta position below:-

Settlement already arrived at.	Settlement as now stated by Mr. Rose.
Minimum proportion of cash to liability shall be 33 % of liabilities payable at call or within one month, but excluding Savings Bank Deposits and Fixed Deposits not payable within one month of the date of ~~Settlements~~ of liabilities. (Vide para 5 or our letter of the 6th April 1923.)	33% of cash to demand liabilities due to the Government and the public, but excluding from such calculatio the constant minimum balance of Rs.5 lakhs to be maintained by Government in current account.

Statement

The exclusion of the constant minimum balance of Rs.5 lakhs referred to by Mr. Rose is alright. (vide para 2 of our letter dated 24th April 1923.) The Cash understanding as now stated overlooks that the proportion of 33 % ~~in cash~~ has to be maintained not only in respect of demand liabilities but also liabilities payable within one month. This is the only point of difference and to this the attention of Mr. Rose will be invited.

(2) Mr. Rose proposes one general reservation in regard to the rates of interest which the Bank has agreed to pay on our current account balances. He states that "the rates of interest agreed to be paid by the Bank on Government balances are to be subject to amendment in the event of the Imperial Bank of

India

NOTE—Contn. sheet.

Serial No.

India at any time varying the rates which they now pay on Government funds kept with them during the first six months of the year."

The previous contract with the Bank of Mysore provided for the Bank allowing us interest at the rates allowed to us by the Imperial Bank. The present settlement is independent of the terms on which we keep our funds with the Imperial Bank. Mr. Rose would, however, continue the old condition which makes the rates of interest payable by his Bank depend upon those allowed by the Imperial Bank. This is a new condition altogether. At the same time, we may admit the fairness of Mr. Rose's contention that in the event of the Imperial Bank varying the rates which it now allows on our current account balances with it the situation may call for a review of the position in regard to the rates at which the Bank of Mysore should allow us interest on our balances kept with it. In this view, we may inform the Bank of Mysore that in the event of ~~the~~ there being any revision of the rates of interest payable by the Imperial Bank,, our agreement with the Bank of Mysore in regard to the interest payable from January to June may be reconsidered. The terms in regard to interest now allowed by the Imperial Bank are not very favourable and it is not likely that they would be made more un-

favourable

NOTE—Contn. sheet.

Press Communique: As regards 'g' why not add "whenever possible." As regards 'm' I see no objection to insert it.

Rate of Interest: Why agree to the Reservation Clause, even if there is no risk?

Bank of Mysore gets special Concessions and I see no reason why it should pay less rate, if Imperial Bank reduces their rates.

(Sd) A. R. B.
15-8-23.

After this Continue the note on the next page.

G. R. S. III-2]

General and Revenue Secretariat. | File No. of 19 .

Serial No.

unfavourable still. I do not, therefore, consider that there is ~~any~~ much risk run in allowing the condition in our contract with the Bank of Mysore relating to the rates of interest payable from January to June to be reconsidered, ~~x~~ should there be any change in the future in the rates of interest allowed by the Imperial Bank in that period. In the above view, I put up a draft reply to Mr. Rose's letter of the 13th August 1923.

I

Mull (M. N. K.)
14.8.23

D E W A N.)

...AL'S OFFICE.
Rcd. on AUG 14 1923
No. 928

Pen Conveyance.
as regards 4 agrt add
"where possible"
as regards 2 see note
- to insist.

subject to Why Imperial like
reservation Clause
~~draft letter~~. even if there is no
risk?
Bank of Mysore gets
Govt Concession & see no
reason why shd pay
less rate - if Govt Bank
raises their rates.

15.8

NOTE—Contn. sheet.

Serial No.

Financial Secy's note.

56 The addition "whenever possible" may be made to (g) and this item allowed to stand.

57 In (m) for "new agreement" may be substituted "the first agreement under the new arrangement".

58 As regards the rate of interest, what the Imperial Bank now allows is as follows:-

From January to March	One per cent. below Bank rate subject to a maximum of 6 per cent. on monthly minimum balances.
From April to June	Uniform 2½ per cent. on monthly minimum balances.

59 I do not think there will be any occasion to change the arrangement in regard to the period from January to March, as the rate of interest to be paid in that period varies with the Bank rate. ~~As regards the period from April to June,~~ The Bank of Mysore has agreed to pay us 2½ per cent. even during the period from July to December and this part of the agreement is unaffected by the terms of our agreement with the Imperial Bank. When the Mysore Bank allows us interest at 2½ per cent. in the slack season from July to December, if they cannot refuse the same rate in the quarter from April to June which is generally part of the busy season. For these reasons, it seems to me to be very improbable that a revision if any of the rates allowed by the Imperial Bank will necessitate a change in the rates payable

NOTE—Contn. sheet.

by

General and Revenue Secretariat. | G.F. File No. 98 of 19 22

Serial No.

by the Bank of Mysore. The Bank of Mysore may not press for the reservation clause if these conditions are explained to ~~them~~ it and I have accordingly revised the draft in this respect.

DEWAN.)

DEVANS OFFICE.
Rec'd on AUG 16 1923
Reg. No. 988

Issue. (M. N. K) 15/8/23

Issue. (M. N. K) 17-8-23

Issue. Munk 17.8.23

Issue. Munk

Serial No. 13 dated 18.8.23 No. 1098

Bank of Mysore states that liabilities payable within 1 month may be included in the Cash ratio, the Constant balance

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat.

G.F File No. 98 of 1922 — 23.

Serial No.

Rs 5 Lakhs being of Course excluded and explains how it is unnecessary to Reconsider the Condition in the Agreement in regard to the rate of interest payable by the Bank from January to June.

Serial No 14 — No Fe 1099 dated 18.8.23 issues a Press Communique regarding the definition of the future relations of Govt with the Bank of Mysore.

Serial No 15 — No 271/Books dated 20.8.23 from the Comptroller, forwards Copies of Correspondence between himself & the Manager, Bank of Mysore in regard to payments outside the State and requests Cancellation of Para 1 of the Agreement. As this Condition is 66 As will be seen from the Copy of Mr. Rose's letter enclosed with the D.O., that the Bank does not deem it possible to undertake the business relating to payments outside the State on behalf of Govt by means of drafts. The Condition pertaining to this is in Para 1 of the Agreement in flag Z.

67 During the stage of negotiations, when this proposal was

NOTE—Contn. sheet.

G. R. S. III-21

General and Revenue Secretariat. | Gl File No. 98 of 19 22

Serial No.

was offered for Consideration, in this office letter No Fl 4603 dy 6.4.23, Mr. Rose had replied in his D.o dy 17th April'23, that it was not possible for him to take up this business, for the reason that the rates quoted by the Imperial Bank to the Bank of Mysore were anything, but attractive and that the former institution's rate to Govt were somewhat in the nature of a Competition with the Callers. On this Ground, Mr Rose wanted to make this business Optional to the Bank, by substituting "may" for "will", in the Agreement.

6 In this reference is invited to para 11 of Financial Secys notes dy 20.Ap.23 on page 4 of notes, stating that we need not force this business on the Bank & that it can be got done by the Imperial Bank of India, without Coal.

6 With the Dewans approval dy 23.4.23 this modification in the Agreement was accepted and Mr Rose accordingly informed in this office letter Fl 4973 dy 24.4.23.

In the press Communique also recently issued, this qualification "Wherever possible"

NOTE—Contn. sheet.

Serial No.

has been added to the item(9) regarding payments. It would, hence, appear that there is provision in the Agreement for the Bank either to accept or reject the business. The Comptroller's request to cancel para I of the Agreement need not perhaps be considered. If approved, his attention will be drawn to the official character of the Condition and he may be asked to continue the present practice of arranging for the payments through the Imperial Bank of India, until the Bank of Mysore comes forward to undertake the business of its own accord. Subs for orders.

SK 23/8. (Fin' Secy) 23/8/23

Serial No. 15 Letter No 91/C/[illegible] 295 of 30.8.23 from the Manager, B'lore of Mysore acknowledges with thanks the receipt of this office letter regarding the Cash ratio & Consents to withdraw the reservation in the matter of interest that he had desired to impose.

The above letter, P.W.D II, is in reply to this office letter in flag H. Both the points re the Cash ratio and the [illegible]

NOTE—Contn. sheet.

After printing the serial 15 on the previous page, continue the following in the order in which it is shown —.

Draft reply to Comptroller's letter of 20-8-23 is put up.

(Financial Secy)

(Sd) M.A.R.
5-9-23

Please issue both drafts to Comptroller.

(Sd) M.N.K
7.9.23.

After this continue the Fl Secy's note beginning with "Mr. Rose's letter etc.

92 36

G. R. S. III-21

General and Revenue Secretariat.

G.F. File No. 98 of 19 22.

Serial No.	
	Withdrawal of the proposal of a reservation clause have been agreed to by the Bank. Now that reply has been received from the Bank, may the draft to the Comptroller in "draft" be approved for issue as per order of the Hon'ble Secy by R. S. 23 in the margin on page 32 of note. Submitted in continuation of P.2.D.T. The file has been taken back from the Hon'ble Secy table of Rules according to order. SK 4/9. 4 Please put up a draft reply to Comptroller's letter of 20.8.23 on the lines indicated in the note dy 23-8-23. mad 4/9/23
	5 Resubmitted with a draft accordingly for consideration. SK 5/9/23 Draft reply to Comptroller's letter of 20-8-23 is put up. dy The papers called for on Bombay Bank's letter of 30.8.23 are in the file Hon'ble Secy mad 5/9/23 Mr Rose's letter dt 30-9-23

The papers [illegible] P.2.D.T. [illegible] draft in "draft" and the draft [illegible] Comptroller [illegible] done

Please both drafts & Comptr[illegible] 7.9.23

Both drafts issued to Comptr[illegible]

NOTE—Contn. sheet.

93

G. R. S. [III-2]

General and Revenue Secretariat.

~~S. f.~~ File No. 98 of 19 ~~23~~

Serial No.

is Submitted for perusal. He has agreed to Calculate the Cash ratio as required by us and also not to press for the reservation clause in regard to interest to be allowed on our Current acct balances. This closes the correspondence about the Settlement of the relations of the Bank with Govt: Government

Bank (Mr. K) 7.9.23

Dewan)

Safe to file (Satisfactory)

The agreement may now be executed.

Executed.

A

A. This has already been done. 10-9-

May now be Recorded

Mr. [illegible] 10.9.23

Serial No 17 — No 2E 1429 dated 8.9.23 from the Comptroller stating that the Cancellation of Para 1 of Agreement is not necessary as the business has been made optional to the Bank & that the present Practice may continue

NOTE—Contn. sheet.

94

G. R. S. III-2]

General and Revenue Secretariat.	File No.	of 19 .

Serial No.	
	Serial No 18. No 2L 1430 dy 8.9.23 to the Comptroller intimating to him the understanding arrived at with the Bank of Mysore about the Cash ratio to be maintained by it
	After perusing this, Continue the Correspondence [illegible]

NOTE—Contn. sheet.

Serial No 1.—D.O Letter No FL 2856 dated 19-12-1922 from the Financial Secretary to Government to the Manager, Bank of Mysore.

Draft D.O. FL 2856 — 8

19/12/22

Dear Mr. Rose,

I am sorry there has been some delay in taking action in pursuance of the understanding which was arrived at in regard to the relations of the Bank of Mysore with Government, when the Dewan discussed this matter with you. The chief points of the understanding, as far as I can remember, were the following:-

1. The relations of Government with the Bank should continue to be as close and cordial after the period of 10 years referred to in para 4 (1) of Government order dated 12th March 1913 as during it.

2. The question of the transfer to the Bank of the business of Government Treasuries at Bangalore and other places where the Bank has its officers may lie over until legislation somewhat on the lines of the Imperial Bank of India Act is introduced.

3. Government should arrange to transact as far as possible, through the Bank all business relating to remittances and investments in India which is now done through other Banks.

4. Whatever part of the Public Debt work of Government (and also of the Local Bodies if they agree to the arrangement) can be transferred to the Bank to be entrusted to it

5. The Bank to allow throughout the year on Government balances such interest as it can give consistently with the investment it can find for such balances.

96

6. The existing agreements relating to the Government current account, and the payment of interest on the balances of the account to be consolidated and ~~x~~ provision made in the new agreement for a minimum balance to be maintained always, as far as possible.

7. The Bank to maintain in the ~~general~~ interests of its stability not less than 40 per cent. of its liabilities (excluding share capital) in cash and Government securities taken at their market value.

Action has to be taken for working out the details of the measures referred to above (3 to 6) and for placing before Government definite proposals for their orders and I shall be much obliged if you will favour me with your suggestions. If you think that it is well to discuss the matter personally, I shall call on you on any date convenient to you after the Christmas holidays.

Yours sincerely,

18.12.22

Financial Secretary.

47
19.12

To

W. C. Rose, Esq.,
Manager, Bank of Mysore, Ltd.,
Bangalore.

D.O.No. 87

Financial Secretariat,

Dated, Bangalore, 8th March 1923.

Dear Mr. Rose,

Kindly let me know when I may expect a reply to my letter No. Fl. 2956 dated the 19th December 1922 regarding the relation of the Government with the Bank.

Yours sincerely,

To

W. C. Rose, Esq.,

Manager, Bank of Mysore, Ltd.,

BANGALORE.

The Accountant Commissioner

Your letter of the 19th December 1922. I will come round to your Office but convenient your presence here for an hour, any day next week, will I think suffice for us to come to an agreement.

Apologising for the delay in the disposal of this matter

Yours truly

W Krishna Rao

Dr N Krishna Rao
Asst Secy

GT

For information

Dewan

mvlk 9.3.23

Bangalore, 17th March 1923

Secy

D 3438

1/3 mvlk 12.3.23

Dear Mr Krishna Rao

In reply to yo

D/O of the 8th inst No H 417

the subject of the future

of the Govt with the B

is to come before the Di

next week, probably th

& any day thereafter I sh

be pleased to discu

DEWAN'S OFFICE
The Bank of Mysore Ltd.
Recd. on MAR 1923
Reg. No. 5273

99

D.O.No. H 4190 Financial Secretariat,

Dated, Bangalore, 9th March 1923.

Dear Mr. Rose,

Many thanks for your letter of date. I shall be glad to go over to the Bank on any day convenient to you next week to discuss the matter.

Yours sincerely,

W. C. Rose, Esq.,
Manager, Bank of Mysore Ltd.,
BANGALORE.

100

Draft D.O. F 4603
6 April 23

Serial No-2-D.O
Letter No F. 4603 Dated
6-4-1923 from the Financial
Secretary to Government
to the Manager,
Bank of Mysore-

Dear Mr. Rose,

With reference to our discussion on ~~Saturday~~ the 17th March 1923, I herewith send a draft of the agreement for defining the Government work to be entrusted to the Bank and the conditions to be observed by the two parties and another of the Government order to be published for defining the future relations of the Government with the Bank. I request you to favour me with your suggestions in regard to both these drafts.

2 I understand from the Comptroller that the Imperial Bank at Bangalore gives drafts at par on all its branches in India throughout the year. I should like to entrust to you as much of this work as you can undertake and if a commission of 1/16 per cent. will not put you to loss, you may intimate to the Comptroller the places in India at which you can arrange for payments in ~~one~~ our behalf. For payments at other places, the Comptroller may continue to get drafts from the Imperial Bank. Ordinarily our payments are made at the following places:-

Calcutta	Hyderabad (Deccan)
Umbala	Lahore
Poona	Bellary
Allahabad	Nagapetam
Ahamadabad	Lucknow
Madura	Saharanpur
Secunderabad	Darjeeling
Cawnpore	Coimbatore
Simla	Marmagoa
Calicut	Aligarh
Rawalpindi	Mangalore
~~Naini Tal~~	Vellore
Trivandrum	

Delhi (At Madras and Bombay Government have banking accounts.)

~~Poona as be~~

3. I append two statements, one showing the surplus balances remitted in 1921 and 1922 by the Treasuries at the seven places mentioned by you (Chennapatna, Bowringpet, Tiptur, Shimoga, Chikmagalur(Kadur), Davangere and Arsikere) and another showing the surplus drawn in the same period to Bangalore from the districts to which these seven places belong. These statements will give you a rough idea of the amounts which can be held at your disposal. In the draft agreement I have made the clause relating to the drawing of Supply Bills general and proposed to give you the power to draw such bills on all Treasuries from March to June. During the season of surplus balances, we can allow you to draw bills on any treasury to the extent of the available surplus. We can also allow more surplus funds for your use from any Treasury near to that on which you wish to draw. The only condition to be kept in view is that the surpluses not required by you have to be promptly withdrawn from the mofussil Treasuries. The Comptroller and the Bank can keep each other in close touch in regard to the amounts the former can spare and those which the latter requires and prevent the unnecessary lock of funds in mofussil stations.

4. As regards the continuance of the deposit of Rs.10 lakhs for a further period of five years, I agree with you, in view of the relations of the Government with the Bank. I would suggest for your consideration that this deposit may be considered as counting

Consisting ~~counting~~ of two parts: viz., (i) the minimum balance of Rs.5 lakhs of the current account, and, (ii) a separate deposit of Rs.5 lakhs fixed for five years. T h e second part may carry interest at 5 per cent per annum as proposed by you. The first part will carry interest at the varying rates allowed on the current account and the average annual rate allowed on it will be less than 5 per cent. and this arrangement will be in favour of the Bank also as it entails less interest charge. The object of my proposal is to reduce the lock up of Government funds from Rs.15 lakhs (Rs.10 lakhs separate deposit plus 5 lakhs constant minimum of current account) to Rs.10 lakhs (Rs.5 lakhs separate deposit plus 5 lakhs constant minimum of current account). In view of our demands we cannot afford to increase our long term deposits and hence my suggestion which is in the interests of both the Government and the Bank.

5 I forgot to mention one point when I met you. I refer to the ratio of cash to liabilities. When you discussed with the Dewan the general question of the future relations of the Bank with the Government, you suggested that in the interests of ~~the~~ stability of the Bank and in view of the intimate association of the Bank with the Government Bank may be required to maintain not less than 40 per cent. of its liabilities in cash and Government securities taken at their market value.

value. The ratio of the 'Reserve' is generally calculated with reference to cash alone and not to cash and securities. It is desirable to fix the minimum percentage of cash to liabilities and not of cash and securities to liabilities. This question was discussed at great length between the Government of India and the late Presidency Banks in the year 1903 and an unanimous understanding was arrived at in 1904. I give below the original proposals made by the Government of India and the modifications made in it in deference to the representation of the Banks:-

Original proposal.-

" xx xx it is proposed to require the Banks to maintain their cash balances at a safe level xx xx xx The Government of India are inclined to think that the minimum should not be lower than 35 per cent. It may be found possible to draw a distinction between liabilities at call and less urgent ~~lib~~ liabilities, such as savings banks deposits, which are ordinarily of a permanent character, and fixed deposits which cannot be withdrawn without notice of three months or a longer period. xx "

Second proposal.-

"Maintenance of a Minimum Proprotion of Cash to Liabilities.- Having considered the representations made on this question by the representatives of the Banks, the Government of India now propose to require the Banks to hold cash amounting to not less than 40 per cent. of their deposits at call (excluding Savings Bank deposits) and an additional sum amounting to not less than 25 per cent. of the deposits which are payable, not at call, but within three months of the date on which the account is made up. It is not proposed to prescribe a minimum cash reserve against Savings Bank deposits or against deposits which are not payable within three months."

Final proposal agreed to by all the three Presidency Banks.

"The Government of India are anxious to meet the wishes of the Banks as far as

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possible in this matter, and they are prepared to modify their former proposal to the following extent which has been suggested by the Bank of Bengal, viz., that the minimum proportion of cash to liabilities shall be 33 per cent. of liabilities payable at call or within one month, but excluding Savings Bank deposits and fixed deposits not payable within one month of date of statement of liabilities. This is the lowest limit which the Government of India consider to be compatible with safety. xx xx ".

6 I would suggest that the cash reserv ratio fixed in the final proposal referred to above may be adopted by us. I have not alluded to this minimum in the draft Govt. order as it is not necessary to mention ~~in~~ it therein. The arrangement in regard to this minimum may be treated as an understanding between the Government and the Ban arrived at in accordance with the general provision requiring the Bank"to give due consideration to any advice that may be tendered by the Government" concerning the management of the business of the Bank and employment and investment of the funds of the Bank".

7 As regards the transfer to the Bank of the Public Debt work of Local Bodies, such of the Bodies as have raised loans will be addressed on the subject and action taken separately.

8 In the list of conditions to be observed by the Bank, I have made only two changes. I have provided for the approval of the Government being obtained to the appointment of the Deputy Manager as recommended by the Bank Committee.

9 As regards the acceptance of immovable property as security, I have made it

clear that it can be taken as collateral security according to the modified rules of the Bank.

2 The above are the only points to which I should invite your particular attention and the other matters are as settled at our personal discussion.

3 After hearing from you, I shall place the matter before Government for their orders.

Yours sincerely,

(Fl. Secretary.)

8/4/23

To

W. C. Rose, Esq.,
Manager, Bank of Mysore, Ltd.,
BANGALORE.

1 As regards drawing of interest on Govt Securities in the Custody of the Bank I do not think any power of attorney will be necessary as the Securities will stand in the name of the Bank and the interest receipts will also be signed by him.

2 As re the Bank rate for deciding the rate of interest to be paid on the current acct balances from January to March is the Imperial Bank rate and I have made this point clear in the draft agreement.

Enclosure to the D.O No 7114 B23 106

STATEMENT SHOWING THE REMITTANCES MADE BY THE TALUKS NOTED BELOW TO BANGALORE.

(Figures in thousands.)

Taluks.	Year.	February. Rs.	March. Rs.	April. Rs.	May. Rs.	June. Rs.
Channapatna	1921					
	1922	22	20	48	..	43
Bowringpet	1921	91	55	1,45	85	1,10
	1922	35	55	65	70	1,10
Tiptur	1921	10	75	77	56	34
	1922	..	96	40	40	50
Shimoga	1921	45	1,10	1,84	30	..
	1922	50	..	34	35	..
Kadur Dist.(Chimagalur) ..	1921	40	86	52	34	21
	1922	1,26	50	50	75	..
Davangere..	1921	..	1,24	90	..	..
	1922	30	77	24	1,15	50
Arsikere	1921	16	1,10	1,25	49	..
	1922	32	97	71	58	50

STATEMENT SHOWING THE REMITTANCES MADE BY THE FOLLOWING DISTRICTS TO BANGALORE.

(Figures in thousands.)

Districts.	Year.	February. Rs.	March. Rs.	April. Rs.	May. Rs.	June. Rs.
Bangalore	1921	18	3,35	2,53	1,26	2,37
	1922	46	3.71	3,14	2,27	3,25
K o l a r	1921	1,52	4,35	5,03	2,98	3,66
	1922	1,41	5,53	5,21	3,55	3,73
Tumkur	1921	42	4,18	4,01	2,44	1,47
	1922	6	4,44	3,77	3,09	2,13
Shimoga	1921	1,60	3,11	4,01	1,43	..
	1922	1,55	3,86	3,00	2,03	69
Kadur	1921	2,33	2,83	2,78	1,42	81
	1922	2,83	2,87	2,62	1,96	69
Chitaldrug	1921	..	3,04	1,75	2,37	10
	1922	32	3,60	1,21	2,27	1,39
Hassan	1921	1,00	3,24	3,61	2,54	66
	1922	1,20	4,26	3,17	2,15	1,63

Enclosure to D.O Letter No
H 4603 : 107

AGREEMENT between the Government of Mysore and the Bank of Mysore, Limited, for the performance of the business of the former entrsuted to the latter.

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1. Payments to be made in India by the Government outside the State (~~will~~ may) be arranged for through the Bank which will be paid a commission of 1/16th per cent. on amounts paid.

(may)

2. Investments of the Government in the Government of India Bonds and Treasury Bills will be made through the Bank.

3. All securities held by the Government in India will be kept in the custody of the Bank. The interest due periodically on such securities will be arranged to be drawn by the Bank as it becomes payable and credited to the current account of the Government with it. The Bank will be paid by the Government commission at 1/8 per cent. on the interest thus drawn. No fee for safe custody of securities nor for withdrawal of securities is payable by the Government to the Bank. The Comptroller or an officer authorised by him shall verify in the Bank by actual counting twice a year the securities entrusted to the safe custody of the Bank.

4. The Bank will be authorised to draw Supply Bills from March to June on any Treasury in the State and such drawing will be permitted at par. The amount which can be held at the disposal of the Bank for this purpose at the different treasuries from time to time will depend upon the available surplus balances at the treasuries and the procedure

for

for ascertaining the amounts of such surplus and that for the drawing of, and accounting for, Supply Bills will be as determined by the Comptroller.

5 ~~4-a~~. Amounts tendered by the public to a District or Taluk Treasury where no Branch or Agency of the Bank exists for remittance to the Head Office of the Bank will be accepted and Remittance Transfer Receipts issued at par, subject to the condition, (i) that the amount of each Remittance Transfer Receipt is not less than Rs.100 and that the total amount of Remittance Transfer Receipts applied for from any treasury in any one month does not exceed Rs.5,000. The same facility will be afforded to the Bank ~~and~~ at any Government Treasury if convenient to the Treasury.

6. Interest on the securities of the Government which belong to the Bank or its constituents is now made payable at the Head Office of the Bank in Bangalore. This arrangement will be extended by enfacing for payment of interest at the Bank's Head Office in Bangalore and at its branch in Mysore, the securities held by the public in general. The Bank will be paid commission at 1/8 per cent. on the amount of interest disbursed by it. The payments made by the Bank's branch in Mysore will be charged to Government's current account with the Bank's Head Office in Bangalore.

7. The Government will continue its current account with the Bank's Head Office in Bangalore and undertake to keep a constant minimum balance of Rs.5 lakhs at the credit of this account.

The Bank has the option to limit the maximum amount which it may hold at credit of the account

of

of the Government to Rs.20 lakhs inclusive of the minimum of Rs.5 lakhs. For withdrawals exceeding in the aggregate Rs.2 lakhs in a week, a week's notice will ordinarily be given by the Government except on ~~account~~ occasions of emergencies when demands cannot be foreseen a week before.

8 The Bank agrees to pay interest on the monthly minimum balances of this ~~account~~ Current account as follows:-

Period.	Rate of interest per annum.
January to March.	Two per cent. below the Bank rate of the Imperial Bank of India subject to a maximum of 6 per cent.
April to December.	Two and a half per cent.

10. ~~9.~~ This AGREEMENT will be in force in the first instance for a period of five years from ' and it will be renewed thereafter with such alterations as may be agreed to by the Governmer and the Bank.

Nil 20-1-23 (M-R.K.)

9. The Government agree to keep as a fixed deposit with the Bank a sum of Rs. Five lakhs at five per cent. per annum for a period of five years from the date of this Agreement.

Enclosure to D.O. No. [illegible] -11-

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. F158-20 / 97-98-22 } 2

Dated, Bangalore, 10 July 1923.

1. The need for a Bank conducted on approved modern lines and capable of attracting the savings of the people and making them available for the development of trade and industries in the State had long been felt and the Bank of Mysore was accordingly formed in 1913 under the auspices of the Government. The concessions allowed by the Government and the conditions to be complied with by the Bank were defined in Government order No.Fl.5121-73/B.9-12-2 dated 12th March 1913.

2. The institution has, thanks to the efforts, care and vigilance of its Directorate, and the Management, justified within the comparatively short period of a decade the expectations formed of it and succeeded in affording banking facilities on a fairly large scale in the two cities of Bangalore and Mysore and also in some of the mofussil towns. There is still considerable scope for extending its activities within the State as its resources increase and as the staff possessing the required qualifications becomes available for manning more branches and agencies.

3. The chief suggestions for enlarging the functions of the Bank made by the Committee appointed in Government order

No.

May this be

i Printed ?

ii treated as a standing order ?

iii published in the Gazette, English Part ?

iv translated ?

v placed at the disposal of the press ?

vi published in the Gazette, Kannada Part ?

No. Fl.5500-49/G.F.93-19-11 dated 9th March 1920 were increase of share capital, opening of more branches and transfer of Treasury work and of Public Debt business. The Government understand that the proposal for increasing share capital is under the consideration of the authorities of the Bank and that they are also gradually extending to mofussil stations banking conveniences as business conditions demand them. The Government consider that the question of transfer to the Bank of the regular work of Treasuries at Bangalore and other places may lie over until legislation on the general lines of the Imperial Bank of India Act is introduced. As for Public Debt work, the Government will be glad to transfer it gradually as the Bank is able to employ the trained staff necessary for dealing with it.

4. The important concession sanctioned in the Government order of 12th March 1913 was a deposit of Rs. Ten lakhs for a period of ten years - a sum of Rs. Five lakhs free of interest and another of the same amount at a reduced rate. The period of this deposit expires in October 1923 and the question of the future relations of the Government with the Bank requires to be settled.

5. The general economic interests of the country render it necessary and desirable ~~for~~ that the Government and the Bank ~~be~~ should work together and the gradual transfer of Treasury and Public Debt work should make their association more and more intimate. The Govern-

ment

112

Government are glad that the Bank agrees in this view and the general conditions for defining their future relations, as accepted by both parties, are as under:-

6. The Bank agrees to

(1) employ or invest or otherwise utilise at least ~~five~~ fifty per cent. of the capital, deposits and other funds at the disposal of the Bank within the limits of the State including the Civil & Military Station,

(2) appoint duly qualified banking experts as the Manager and the Deputy Manager with the approval of the Government to manage its affairs,

(3) its accounts being audited once a year or more frequently by a person appointed by the Government and to furnish the Government as promptly as possible with all information and explanations and to produce for inspection of such person all accounts, documents, securities and other property of the Bank as the Government may require,

(4) obtain the approval of the Government to the appointment of the President of the Board of Directors,

(5) publish such accounts as the Government may desire in the Mysore Gazette for the information of the public,

(6) not to lend money on the security of immoveable property except as collateral security,

(7) not to engage in, or enter into operations connected with foreign exchange,

and

& (8) give due consideration to any advice which may be tendered by the Government concerning the management of the business and employment and investment of the funds of the Bank.

7. The Government agree to

(1) maintain a current account with the Head Office of the Bank at Bangalore,

(2) entrust to the Bank the work relating to payments and investments in India,

(3) transfer to the Bank the custody of the securities in the possession of the Government and the work relating to the drawing of periodical interest due on the securities,

(4) empower the Bank to draw Supply Bills on Treasuries,

(5) authorise the Bank to pay interest on the securities of the Government, & (6) keep a deposit of Rs. Ten lakhs for a further limited period.

8. The detailed terms on which the above items of work are to be performed by the Bank and the deposit is to be kept with it by the Government will be, as settled between the two parties in separate agreements entered into from time to time.

M. N. K.
3.4.23

FINANCIAL SECRETARY TO GOVERNMENT.

To

The Manager The Bank of Mysore
The Comptroller,
The Secretaries to Govt [illegible]
Heads of Depts & Dy Comrs of Districts

114 DIARY No. 4299

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

Bangalore, 17th April 1923.

19 – 19
Section
File No.
Serial No.

No D.O.

Serial No 3 - D.O letter dated 17th April 1923 from the Manager, Bank of Mysore to the Financial Secretary

Dear Mr. Krishna Rau,

I am in receipt of your letter of the 6th instant, No.Fl.4603, enclosing a draft of the agreement for defining the Government work to be entrusted to the Bank, and the conditions to be observed by the two parties, and a draft of the Government Order to be published for defining the future relations of the Government with the Bank. Thanks to your excellent drafting and the manner in which you have met most of my representations, there is, I am pleased to say, nothing in the new agreement to which I care to take exception beyond regretting the rather radical change which you propose in the matter of the withdrawal of a full moiety of the present concession deposits, thereby practically cancelling the Bank's original agreement which I think ------ Mr. Banerji promised to renew, in toto in its essential features, when we last discussed with him the question of

our

April 1939.

D.C.

Dear Mr. Kitchin,

I am in receipt of your letter of the
6th instant, No.TI.6003, enclosing a draft of the agree-
ment for defining the Government work to be undertaken by
the Firm, and the conditions to be observed in the
matter, and a draft of the Government Order to be
lodged for obtaining the future relations of the Contrac-
tor with the Board. Thanking you for your co-operation
and the manner in which you have met those of my represen-
tations, where so, I am pleased to say, nothing in the
draft calls out to which I am to take exception however
regretting the rather radical change which you propose
in the matter of the withdrawal of a full moiety of the
present connection company, through practically cancell-
ing the Parliamentary clauses which I think ----
Although promised to reach, in toto in its enactment
features when no less directed with into the question of

our future relations. The transfer of a moiety of the above deposits to a deposit in Current Account is far from being the profitable transaction you imagine it will be to the Bank. In a Current Account the 5 lacs will cost me 3.37% per annum in interest as against 5% which the other moiety now has to bear. It however becomes a demand liability calling for the maintenance of a reserve in cash of 33% - thereby reducing the amount available for investment to Rs.3 1/3 lacs, and restricting its utilization to investments in short dated deposits or Government Securities only- You thus reduce the Government's future fixed interest in the Bank to the paltry sum of Rs.5 lacs, and omit the recommendation of the Government Committee of 1920 under Clause 11 to maintain in Current Account a minimum balance of Rs. 5 lacs irrespective of the 10 lacs already in concession deposits. I do not overlook the fluctuating interest that the Government will have in the Bank by the maintenance of a minimum balance of 5 lacs in Current Account earning 3.37% interest, as against a fraction over 2% now receivable from the Imperial Bank of India, but for reasons which I adduce later on the advantages to the Bank of large floating deposits are so

problematical

the advantages to the Bank of large floating deposits are de-
rived Bank of India, but for reasons which I advise later on
we cannot a direction over 2½ now receivable from the Impe-
rial Bank of 5 lacs in Current Account carning 3.5% interest,
leaving the profitable transaction you indicate it will be
to the Bank. In a Current Account the 5 lacs will cost
me 3.5% per annum in interest as against 5% which the other
money now has to bear. It however becomes a doubtful
39% - thereby reducing the amount available for investment
to Rs.3 1/3 lacs, and restricting the utilisation to invest-
ments in short dated deposits or Government securities only-
You thus reduce the Government's future fixed interest in the
Bank to the paltry sum of Rs.3 lacs, and omit the consider-
tion of the Government Committee of 1920 under Clause 11 to
maintain in Current Account a minimum balance of Rs. 5 lacs
irrespective of the 10 lacs already in connection deposits.
I do not overlook the fluctuating interest that the Govern-
ment will have in the Bank by the maintenance of a minimum
balance of 5 lacs in Current Account earning 3.5% interest,
as against a fixed not receivable from the Impe-
rial Bank of India, but for reasons which I advise later on
the advantages to the Bank of large floating deposits are de-
above deposits to a deposit in Current Account is for from
being the practicable transaction you indicate it will be
to the Bank. In a Current Account the 5 lacs will cost
me 3.5% per annum in interest as against 5% which the other
money now has to bear. It however becomes a doubtful
39% - thereby reducing the amount available for investment
to Rs.3 1/3 lacs, and restricting the utilisation to invest-
ments in short dated deposits or Government securities only-
You thus reduce the Government's future fixed interest in the
Bank to the paltry sum of Rs.3 lacs, and omit the consider-
tion of the Government Committee of 1920 under Clause 11 to
maintain in Current Account a minimum balance of Rs. 5 lacs
irrespective of the 10 lacs already in connection deposits.
I do not overlook the fluctuating interest that the Govern-
ment will have in the Bank by the maintenance of a minimum
balance of 5 lacs in Current Account earning 3.5% interest,

problematical that I am now doubtful whether the Bank can afford such generous terms of interest as are now proposed. I would therefore venture to suggest for your consideration that this minimum balance of Rs.5 lacs in Current Account be subject to 12 months' notice of withdrawal bearing the same rate of interest as payable in Current Account, which will enable me to utilize the money for advances within the State.

TERMS OF AGREEMENT.

(1) Payments in India. I am sorry this business is quite impossible for me to entertain. The favourable terms quoted to Government by the Imperial Bank of India can but be prompted in competition to our presence in the State. I append hereto their rates to this Bank for your information. The business may be made optional by changing the word "will" to "may" in the 2nd line of this Clause

(2) Proposed addition to Clause 4. All payments tendered by the public to a District or Taluk Treasury, where no Branch or Agency of the Bank exists, for remittance to a Branch or Head Office of the Bank are to be received at par and R.T.R. granted. The same facilities will be afforded to the Bank at any Government Treasury if convenient to the Treasury.

(3)

(c)

communicate to the Treasury.

will be referred to the Bank of any Government Treasury i
ceived at any one U.S.A. Branch. The same facilities
tended to a relation or Head Office of the Bank in Ind
where no Branch or Agency of the Bank exists, for remit
tendered by the public to a District or Indian Treasury

(v) Encashment facilities to Clients. All instruments
ing the word "will" to "may" in the 2nd line of this Clause.
information. The provision may be made optional by exclud-
State. I suggest however strict rules to this effect for non-
can but be treated in contradiction to our decision in the
terms quoted to Government by the Imperial Bank of India
is quite impossible for me to contemplate. The proposal to
Scale.

Clause 6 - Note 11.

(1) Payments in India. I am sorry this provision
will cause me to utilise the Bank for clearance out in the
sure rate of interest on [illegible] Account, which
be subject to 12 months' notice of withdrawal be min
that the minimum balance of Rs.5 Lacs in Current Account
I would endeavour to arrange to suit for your consideration
Bank does not charge interest on the Account.
application that I am not competent whether the Bank can

(3) Clause 6. Government Current Account with the Bank. I would like a Clause inserted that the Bank has the option to limit the maximum amount which they may hold at credit of the account of Government to Rs.20 lacs, inclusive of the 5 lacs minimum deposit, and also that a clear week's notice is to be given for withdrawals exceeding in the aggregate Rs.2 lacs in a week. You will, I am sure, appreciate the reasons for this option. It is only at Bombay or Calcutta that I can place money on short deposit, or sell Government Securities, and if I am unable to profitably invest my surplus funds, there is no use my binding myself with large Government balances costing me at a minimum 3.37% at call. My refusal will not handicap the Government as they are --- capable of placing such funds elsewhere, or could instruct us to invest same in such securities as they may select.

(4) Period of Agreement. This may be fixed at 5 years as 3 years is somewhat a short period for the agreement to be thoroughly tested as a workable proposition and to create stable conditions.

There now remains only the question of the ratio of cash to demand liabilities! I take no exception to the

proposed

(3) Clause 6. Covering the Current Account with the Bank. I would like a clause inserted that the firm has the option to limit the maximum amounts which may be paid at credit of the account of Governments to Rs.20 lacs, inclusive of the 8 lacs minimum deposit, and also that a clear week's notice is to be given for withdrawing amounts in the event of Rs.2 lacs in a week. You will, I am sure, appreciate the reasons for this option. It is only at Bombay or Calcutta that I can place money on short deposit, or call (current deposit), and if I am unable to profitably invest my surplus funds, there is no use my binding myself with heavy Government balances bearing me at a minimum 3.37½ at call. I y account will not handicap the Government as they are capable of placing such funds elsewhere, or could instruct me to invest same in such securities as they may select.

(4) Period of Advances. This may be fixed at 6 years as 3 years is considered a short period for the repayment to be thoroughly tested on a workable production and to arrive at stable conditions.

There now remains only the question of the ratio of cash to durable liabilities. I take no exception to the

Bros/dcc.

proposed 33%, a rate which I may remark is by no means maintained by the Imperial Bank of India, at present under 20%, but for the difficulties referred to above (Clause 3). If you can see your way to allow me to treat short deposits, not exceeding 30 days notice, and Government of India Securities, unpledged, as cash, it will materially help towards earning the interest payable to Government. A short statement will show you how difficult it will be for me to recoup the interest I pay to Government on their floating balances if I am compelled to keep 33% in cash as a reserve. I need hardly say that demands for short period advances, not exceeding 30 days, are not available in Bangalore.

If I take 6% as the interest payable during January to March on say 20 lacs minimum balance of Government funds, it will cost me	Rs.30,000/-.
During the remaining 9 months the interest payable on 20 lacs will amount to	Rs.37,500/-.

Thus the total interest payable to Government on their full 20 lacs will amount to Rs.67,500/- per annum or 3.37%. To meet Government withdrawals, as well as to maintain the proposed 33% reserve, I must keep a cash balance of

at

tain the proposed 25% reserve, I must keep a cash balance o
3.3%. To meet Government withdrawals, on wolf of to mult
their full 20 loan will amount to Rs.27,300/- per annum on

Thus the total interest payable to Government o

to	... ...	Rs.37,500/-
interest payable on 20 loan will amount		
During the remaining 0 months the		
will cost me	... ...	
minimum balance of Government funds, it		Rs.30,000/-
during January to March on my 20 loan		
If I can borrow at 6% on the interest payable		

the 30 days, are not available in Secretaro.

hardly ever that demands for short period advances, not exceed
it I am compelled to keep 30% in cash as a reserve. I must a
the interest I pay to Government on their floating balance
ment will show you how difficult it will be for me to accomp
ommind the interest payable to Government. A short stopp-
ing, multiplied, as soon, it will certainly help towards
not exceeding 30 days notice, and Government of India Treasu-
ry can see how may to allow me to stock short deposits,
but for the difficulties referred to above (Clause 3). It
tained by the Imperial Bank of India, at present under 2%,
proposed 25%, a rate which I may accept to pay no doubt rein-

at least 50% or Rs.10 lacs. This leaves me 10 lacs for investment which must earn a minimum of 6¾% net all the year round to only cover the interest payable to Government!

One more proposal I would like to submit for your consideration, and which is as much in the interest of the Government as of the Bank, and that is for Government in times of monetary pressure to grant loans to the Bank of Mysore at 6% interest to the extent of 90% of the face value of their own and Government of India Bonds on which the Bank itself has made advances, i.e., apart from the Bank's own investment in such securities. As you are aware, the Hon'ble Sir Basil Blackett has undertaken, with a view to ease undue stringency in the Indian Money Markets, to give financial assistance to the Imperial Bank of India to the extent of 12 crores out of the Paper Currency Reserve on the security of Promissory Notes (Hundis) bearing the endorsement of that Bank. The acceptance of my proposal will create some elasticity and give ease to local monetary conditions, if too pronounced, during the busy season. I would again impress upon you the fact that the Bank of Mysore alone, has to provide all the financial accommodation ----

required

Here round to only secure the interest possible to Government
investments which must carry a minimum of 6% net all the
time of monopoly proposure to Great Issue to the Bank of
the Government as of the Bank, and that is for Government in
Some consideration, and which is as much in the interest of
One more proposal I would like to submit for
at least 80% or Rs.10 less. This issue is 10 less for
Rs.10 less. This issue is 10 less for

required by merchants as well as the general public of the State. The Bank's advances to the latter on the security of Government of India and Mysore Government Bonds now exceed Rs.16 lacs and the Bank has undertaken to grant financial assistance at all times to all approved parties tendering Mysore Government Bonds as security. These securities are, as you know, refused by the Imperial Bank of India. Our advances to the public on Mysore Government Securities are increasing and will, before long, be a cause for my failure to accommodate merchants on the security which they are accustomed to offer, unless my fixed deposits from the public also increase!

The proposals made in this letter are approved by my Board of Directors.

Yours sincerely,

M. N. Krishna Rao, Esq.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

MSR

requested by notchmate to call to the general public to of
the state. The Bank's advances to the latter on the
security of Government of India (or Lyapore Government out
lone for cheque No.10 Loc ing the Bank has subscription
to Great Cincotol conference of all kinds to all re-
spread portion standing Lyapore Government bonds se-
curity. Those securities are, on loan, reduced by
the Imperial Bank of India. Our advances to the public
on Lyapore Government Securities are interesting and will,
before long, be a cause for Jy failure to counterbalance mar-
ginate on the security which they are accustomed to attor,
mulate by fixed deposits from the public also interest

The proposals made in this letter are dis-

proved by my Board of Directors.

Yours sincerely,

H. V. Fitzjere Tee, Esq.,
Financial Secretary to the Government of
His Highness the Maharaja of Lyapore,
Lyapore.

Enclosure 12/ to the Manager's D.O. letter dated [illegible]

Rules of the Imperial Bank of India relating to Exchange, Commission, etc., to be charged to Banks in India, Burmah and Ceylon on Agency Business.

For Collection of Bills and Remittance of Proceeds (either by Demand Draft or by Mail Transfer to credit of an account at another Office of the Bank).

Throughout India

Demand Bills	...	3/16% minimum 6 annas
Usance Bills	...	3/16% ,, one rupee

Between India & Burmah, or India & Ceylon:

Demand Bills	...	1/4% minimum 8 annas
Usance Bills	...	1/4% ,, one rupee.

Out-of-pocket expenses incurred to be charged in addition to above and a further charge of one rupee for each subsequent presentation.

Demand Drawings on any of the Branches

On Demand Drafts drawn on any of the Branches throughout India, Burmah and Ceylon.

Throughout India	...	1/8% minimum 4 annas
Between India & Burmah, or India & Ceylon.	...	1/4% ,, 8 annas.

(Drawings not to exceed Rs.25,000 on any one Branch in a day, without special arrangement).

'COPY'

Duties of the Imperial Form of Inward Clearing to Procure, Construction, etc., to be charged to Income in Inward Clearing Section on Account Current.

For Collection of Bills and Acceptance of Documents (without Demand Draft or by Draft to Order to credit of Account et another Office of the Bank).

Throughout India

Per one Bill	...	3/16	Minimum 6 Rupees
Usance Bills	...	3/16	" One Month.

For non-India Purchase of India & Ceylon:

Per one Bill	...	1/8	Minimum 6 Rupees
Usance Bills	...	1/8	" One Month.

Out-of-pocket expenses incurred to be charged in addition to above the a further charge of one or more for each [illegible] the extension.

[illegible]

On Inward Items [illegible] and of the Inward [illegible]

Inward Bills ... 1/8 [illegible]

Outward Bills, Purch. or Neg. ... 1/8 " C [illegible]

(Drafts not to exceed [illegible] on any one [illegible] in a day), Account Special Arrangement).

[illegible]

Serial No 4-
D.O Letter no TH 4973
dy 24-4-1923 from the
Financial Secretary to
Government to the Manager
Bank of Mysore

Draft D.O. No.TH 4973 dy 24 April/23

Dear Mr. Rose,

I have received your letter of the 17th instant and thank you for it.

2. As regards the minimum balance of the current account, I should like to invite your attention to para 4 of my letter of the 6th instant. You will see that I have proposed to make this minimum the constant part of our current account. The minimum is, under the circumstances, not a demand liability and no cash ratio need be maintained in respect of it. To make the intention quite clear, we may substitute "a constant minimum balance of Rs.5 lakhs" for "a minimum balance of Rs.5 lakhs" in clause 6 of the agreement.

3. Terms of Agreement.- Clause No.1.- I shall substitute "may" for "will" in line 2 as proposed by you.

4. Clause No. 4.- This addition will be made as proposed by you. With a view, however, to prevent the issue of a number of R,T.R's for small amounts and the inconvenience likely to be caused by the obligations ~~for the~~ remittances ~~of a~~ large amounts to headquarters, it is desirable to fix some minimum and maximum limits and ~~it is~~ proposed to make the value of a single R.T.R. not less than Rs.100 and the value of R.T.R's applied for from any particular treasury in any one month ~~of~~ Rs.5,000.

5. Clause No.6.- The Bank may have the option to limit the maximum amount that may be held at the credit of Government account to Rs.20 lakhs. As for notice for weekly withdra

exceeding Rs.2 lakhs, there is no ~~option~~ objection to give it as a general rule but emergencies may arise when it will not be possible to foresee demands a week ahead and in such circumstances I hope the Bank will not rigidly insist upon a week's notice.

6. Period of Agreement.- This may be fixed at five years as ~~proposed~~ suggested by you.

7. In view of what I have stated above in regard to the nature of the minimum balance of Rs.5 lakhs of the current account ~~of Government~~ and the desirability of maintaining a ~~fairly high~~ reasonable cash ratio to guarantee the discharge of demand liabilities, I hope the Bank will agree to the proportion of 33 per cent. as proposed in my letter and not include, in such proportion, short-term deposits or ~~Government of India~~ securities.

8. As regards the proposal that the Government may grant, in times of monetary pressure, loans to the Bank to the extent of 90 per cent. of the value of securities on which the Bank has made advances, I am afraid that it is not possible for Government to comply with this request. As you know the analogy of loans proposed to be made by the Government of India to the Imperial Bank of India does not apply as such loans are intended to be made by the issue of additional currency notes by accepting commercial bills as temporary ~~currency~~ reserve for the extra issue and as the Government of Mysore have no power of note issue.

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9. I append a revised draft Agreement embodying the additions and alterations to be made in view of the suggestions contained in your letter of the 17th instant. ~~I request you to convey the concurrence of the Bank.~~ ~~xxxxxx draftxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx~~ On receiving the ~~final~~ concurrence of the Bank to the draft Government order and the draft ~~government~~ Agreement, I shall place ~~these~~ them before the Government for orders.

final

Yours sincerely,

20/4/23
(Financial Secretary.)

8/ 23.4

To

W. C. Rose, Esq.,
Manager, Bank of Mysore, Ltd.,
BANGALORE.

The secured draft agreement is not to be printed as enclosure to the letter, as that is the final one & will be printed as a memorandum at the last.

Serial No 5 — 125

D.O.No:Fl. 4986-dated 25th April 1923 from the Financial Secretary to Government to the Manager, Bank of Mysore

Financial Secretariat,

Dated, Bangalore, the 25th April 1923.

Dear Mr. Rose,

I have made an omission in the draft agreement sent to you yesterday and I hasten to correct it. I refer to the independent deposit of Rs.5 lakhs which together with the constant minimum balance of Rs.5 lakhs of the current account makes up Rs.10 lakhs referred to in the draft -- Government order. I shall be obliged if you will kindly insert the following as clause No.9 of the Agreement and re-number the present clause No.9 as 10:-

9. "The Government agree to keep as a fixed deposit with the Bank a sum of Rs. Five lakhs at five per cent. per annum for a period of five years from the date of this Agreement."

Yours sincerely,

(Sd) M. N. Krishna Rau

To

W. C. Rose, Esq.,
Manager, Bank of Mysore, Ltd.,
BANGALORE.

126 4446

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.

All communications to be addressed
TO THE MANAGER.

Bangalore, 28th April 1923.

No D.O.

Serial No 6 - D.O letter dated 28-4-23 from the Manager Bank of Mysore to the Financial Secretary to Government

Dear Mr. Krishna Rau,

I am in receipt of your letters of the 23rd and 25th instants, Nos.4973 and 4986 respectively. I am circulating to the Directors the revised draft agreement embodying the additions and alterations mutually agreed upon by us, and I venture to think the revised draft will meet with their approval.

I have, as desired in your second letter, made the necessary addition to the agreement by inserting the omitted clause and numbering it as No.9 and renumbering the final clause as No.10.

Yours sincerely,

Rajakaryaprasakta M. N. Krishna Rau, Esq.,B.A.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

ALL COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER.
TELEGRAPHIC ADDRESS: "MYSOREBANK."
No. D.O.

4985 — 127 — 79

The Bank of Mysore, Ltd.,

Bangalore, 19th May 1923.

Serial No 7. D.O Letter dated 19-5-23 from the Manager Bank of Mysore to the Financial Secretary to Government

Dear Mr. Krishna Rau,

In continuation of my D. O. of the 28th April '23, I have pleasure in informing you that the Directors at their Meeting on the 9th instant accepted the revised draft agreement, a copy of which is enclosed for your records.

The Board's Minute is as follows:-

"The Board approve of the final draft "agreement between the Government and the Bank, "and which is to come into effect on the 1st "October 1923, the date of the termination of the "existing agreement with the Government".

With kind regards,

Yours sincerely,

Rajakaryaprasakta
M. N. Krishna Rau, Esq., B.A.,
Financial Secretary to the
Government of Mysore, Bangalore

Enclosure to No. Manager's D.O. 129
Delhi 19th May 1943

AGREEMENT between the Government of Mysore and the Bank of Mysore, Limited, for the performance of the business of the former entrusted to the latter.

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1. Payments to be made in India by the Government outside the State may be arranged for through the Bank which will be paid a commission of 1/16th per cent on amounts paid.

2. Investments of the Government in the Government of India Bonds and Treasury Bills will be made through the Bank.

3. All Securities held by the Government in India will be kept in the custody of the Bank. The interest due periodically on such securities will be arranged to be drawn by the Bank as it becomes payable and credited to the current account of the Government with it. The Bank will be paid by the Government commission at 1/8 per cent on the interest thus drawn. No fee for safe custody of securities nor for withdrawal of securities is payable by the Government to the Bank. The Comptroller or an officer authorised by him shall verify in the Bank by actual counting twice a year the securities entrusted to the safe custody of the Bank.

4. The Bank will be authorised to draw Supply Bills from March to June on any Treasury in the State and such drawing will be permitted at par. The amount which can be held at the disposal of the Bank for this purpose at the different treasuries from time to time will depend upon the available surplus balances at the treasuries and

the

the procedure for ascertaining the amounts of such surplus and that for the drawing of, and accounting for, Supply Bills will be as determined by the Comptroller.

5. Amounts tendered by the public to a District or Taluk Treasury where no Branch or Agency of the Bank exists for remittance to the Head Office of the Bank will be accepted and Remittance Transfer Receipts issued at par subject to the condition that the amount of each Remittance Transfer Receipt is not less than Rs.100/- and that the total amount of Remittance Transfer Receipts applied for from any treasury in any one month does not exceed Rs.5,000/-. The same facility will be afforded to the Bank at any Government Treasury if convenient to the Treasury.

6. Interest on the securities of the Government which belongs to the Bank or its constituents is now made payable at the Head Office of the Bank in Bangalore. This arrangement will be extended by enfacing for payment of interest at the Bank's Head Office in Bangalore and at its branch in Mysore, the securities held by the public in general. The Bank will be paid commission at 1/8 per cent on the amount of interest disbursed by it. The payments made by the Bank's branch in Mysore will be charged to Government's current account with the Bank's Head Office in Bangalore.

7. The Government will continue its current account with the Bank's Head Office in Bangalore and undertake to keep a constant minimum balance of Rs.5 lakhs at

the

the credit of this account.

The Bank has the option to limit the maximum amount which it may hold at credit of the account of the Government to Rs.20 lakhs inclusive of the constant minimum of Rs.5 lakhs. For withdrawals exceeding in the aggregate Rs.2 lakhs in a week, a week's notice will ordinarily be given by the Government except on occasions of emergencies when demands cannot be foreseen a week before.

8. The Bank agrees to pay interest on the monthly minimum balances of the current account as follows:-

Period.	Rate of interest per annum.
January to March.	Two per cent below the Bank rate of the Imperial Bank of India subject to a maximum of 6 per cent.
April to December.	Two and a half per cent.

9. The Government agree to keep as a fixed deposit with the Bank a sum of Rs.5 lakhs at five per cent per annum for a period of five years from the date of --- this agreement.

10. This AGREEMENT will be in force in the first instance for a period of five years from ....and it will be renewed thereafter with such alterations as may be agreed to by the Government and the Bank.

19/1/23

1 3/ D.O Letter No 251 dated [illegible] from the Financial Secretary [illegible] Manager, Bank of Mysore —

D.O.No. 25

Financial Secretariat,

Dated Bangalore 19th May 1923.

Dear Mr. Rose,

I have just received your letter of date and thank you for it. I am very glad to learn that the Directors have accepted the draft Agreement. I shall now place the matter before Government for their final orders. I take it that the draft Government Order to be published has also received the acceptance of the Directors.

With best regards,

Yours sincerely,

(Sd) M. N. Krishnarao

W. C. Rose, Esq.,

Manager, Bank of Mysore Ltd.,

BANGALORE.

Proceedings of the Government of His Highness the Maharaja of Mysore.

ORDER NO. H 158-207 / Q 258-11-2

Dated Bangalore, 10 July 1923.

The need for a Bank conducted on approved modern lines and capable of attracting the savings of the people and making them available for the development of trade and industries in the State had long been felt and the Bank of Mysore was accordingly formed in 1913 under the auspices of the Government. The concessions allowed by the Government and the conditions to be complied with by the Bank were defined in Government Order No. Fl.5121-73 / B. 9-12-2 dated 12th March 1913.

2. The institution has, thanks to the efforts, care and vigilance of its Directorate and the Management, justified within the comparatively short period of a decade the expectations formed of it and succeeded in affording banking facilities on a fairly large scale in the two cities of Bangalore and Mysore and also in some of the mofussil towns. There is still considerable scope for extending its activities within the State as its resources increase and as the staff possessing the required qualifications becomes available for manning more branches and agencies.

3. The chief suggestions for enlarging the functions of the Bank made by the Committee appointed in Government Order No.Fl. 5500-49 / G. F. 93-19-11 dated 9th March 1920 were increase of share capital, opening of more branches and transfer of Treasury work and of Public Debt business. The Government understand that the proposal for increasing share capital is under the consideration of the authorities of the Bank and that they are also gradually extending to mofussil stations banking conveniences as business conditions demand them. The Government consider that the question of transfer to the Bank of the regular work of Treasuries at Bangalore and other places may lie over until legislation on the

General lines of the Imperial Bank of India Act is introduced. As for Public Debt work, the Government will be glad to transfer it gradually as the Bank is able to employ the trained staff - necessary for dealing with it.

4. The important concession sanctioned in the Government - Order of 12th March 1913 was a deposit of Rs. Ten lakhs for a period of ten years - a sum of Rs. five lakhs free of interest and another of the same amount at a reduced rate. The period of this deposit expires in October 1923 and the question of the future relations of the Government with the Bank requires to be settled.

5. The general economic interests of the country render it necessary and desirable that the Government and the Bank should work together and the gradual transfer of Treasury and Public Debt work should make their association more and more intimate. The Government are glad that the Bank agrees in this view and the general conditions for defining their future relations, as accepted by both parties, are as under:-

6. The Bank agrees to

(1)employ or inv st or otherwise utilise at least 50% of the capital, deposits and other funds at the disposal of the Bank within the limits of the State including the Civil & Military Station,

(2)appoint duly qualified banking experts as the Manager and the Deputy Manager with the approval of the Government to manage its affairs,

(3)its accounts being audited once a year or more frequently by a person appointed by the Government and to furnish the - Government as promptly as possible with all information and explanations and to produce for inspection of such person all - accounts , documents, securities and other property of the Bank as the Government may require,

(4) obtain the approval of the Government to the appointment of the President of the Board of Directors.

(5) publish such accounts as the Government may desire in the Mysore Gazette for the information of the public.

(6) not to lend money on the security of immoveable property except as collateral security.

(7) not to engage in, or enter into operations connected with foreign exchange, and

(8) give due consideration to any advice which may be tendered by the Government concerning the management of the business and employment and investment of the funds of the Bank.

7. The Government agree to

(1) maintain a current account with the Head Office of the Bank at Bangalore,

(2) entrust to the Bank the work relating to payments and investments in India,

(3) transfer to the Bank the custody of the securities in the possession of the Government and the work relating to the drawing of periodical interest due on the securities,

(4) empower the Bank to draw Supply Bills on Treasuries,

(5) authorise the Bank to pay interest on the securities of the Government, and

(6) keep a deposit of Rs. Ten lakhs for a further limited period.

The detailed terms on which the above items of work are to be performed by the Bank and the deposit is to be kept with it by the Government will be, as settled between the two parties in separate agreements entered into from time to time.

M. N. Krishna Rao

for FINANCIAL SECRETARY TO GOVERNMENT.

To

The Manager, Bank of Mysore.
The Comptroller to Government.
The Secretaries to Government.
The Heads of Departments and Deputy Commissioners of Districts.

TJ

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

No. FC305

Bangalore, Dated 16 July 23

From

Rajakaryaprasakta
M. N. KRISHNA RAO, Esq., B.A.,
Financial Secretary to the Government of His Highness the Maharaja of Mysore

To

W. C. Rose, Esq.,
Manager, Bank of Mysore,
Bangalore.

Sir,

I am directed to forward herewith a copy of the contract as finally agreed to by the Government and the Bank in regard to the business to be entrusted to the Bank under para 7 of Government Order No. Fl.158-207 / G.F. 98-22-2 dated 10th July 1923. As regards the cash ratio, the understanding will be as arrived at in the correspondence ending with my letter - No.Fl. 4973 dated 24th April 1923.

I have the honour to be,
Sir,
Your most obedient servant,

FAIR DRAFT.

16.7.23

Financial Secretary to Government.

TS.

D.O.No. 346 Enc. one. 9/18/7/23 136

S.F. 98-22

18th July 3.

Serial No 10 D.o Letter No 1346 Date 18-7-23 from the Financial Secretary to Govt. to the Manager, Bank of Mysore

Dear Mr. Rose,

The new arrangement with the Bank of Mysore has to be published and the question has to be considered whether it is desirable to publish the whole of the Government order or issue a Press Communique on the subject. In view of your and our relations with the Imperial Bank of India it may not, perhaps, be advisable to give publicity to all the ~~arrangement~~ details of our arrangements with you. In this view it may be more advisable to issue a Press Communique. I accordingly put up a draft and on this the Dewan has observed as follows: "Mr. Rose may be consulted as to the form of the Press Communique. I think ~~In it~~ it may give a little more information." I enclose the draft Communique and request you to be so good as to state in what respects you would like to have it modified and amplified. No details appearing in the "agreement" need go into the Communique. The only point is how much of the Government order may be included in it. I shall be

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much obliged for your suggestions for revising the Communique as desired by the Dewan.

Yours sincerely,

18/7/20

To

J. C. Rose, Esq.,
Manager, Bank of Mysore, Ltd.,
BANGALORE.

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D/ Draft. Enclosure to Secy's D.O. letter No 21306

Press Communique.

The Bank of Mysore, Limited, was started under the auspices of the Mysore Government in the year 1913 and within the comparatively short period of a decade the institution has, thanks to the efforts, care and vigilance of the Directorate and the Management, justified the expectations formed of it and succeeded in attracting a substantial share of savings of the people and affording banking facilities on a large scale in the cities of Bangalore and Mysore and also in some of the mofussil towns. The general economic interests of the country render it necessary and desirable that the Government and the Bank should work together and in view of this consideration, it has been deemed desirable to place the relations between the Government and the Bank on a firmer basis than was possible in 1913. The authorities of the Bank cordially agree in this view and as the result of negotiations between the Bank and the Government, the future relations between them have been defined and the general lines on which their association should grow more and more intimate in the future have also been laid down. The business of the Government to be entrusted to the Bank from time to time and the conditions under which it has to be performed by the Bank will be regulated by agreements

entered into by the two parties. These facts are announced for public information.

By order,

17.7.23

Financial Secretary to Govt.

1100-535

The Bank of Mysore Ltd.

TELEGRAPHIC ADDRESS:-
"MYSOREBANK."
CODE – 5TH EDITION A.B.C.
ALL COMMUNICATIONS TO BE ADDRESSED TO THE MANAGER.

Bangalore, 11th August '23.

Please put up file work 11.8.23

No. D.O.

re. Issue of Press Communique on Agreement between the Government and the Bank.

Dear Mr. Krishna Rau,

Serial No 11
D.O Letter dated 11.8.23 from the Manager, Bank of Mysore to the Secy to Govt

With reference to your D.O. letter of the 18th July 1923, No. Fl.3467 G.P.98-22, I herein enclose a draft of the form in which the proposed Press Communique may issue if it meets with your approval.

Yours sincerely,

Rajakaryaprasakta
M. N. Krishna Rau, Esq., B A.,
Financial Secretary to Government,
Bangalore.

Enclosure to the Managing [illegible]

G.O. 11.8.23 No H 1009

Draft. 9/8/23

Press Communique. GO 98-22

The Bank of Mysore, Ltd., was started under the auspices of the Mysore Government in the year 1913, and within the comparatively short period of a decade the institution has, thanks to the efforts, care and vigilance of the Directorate and the Management and the co-operation of the public, justified the expectations formed of it and succeeded in attracting a substantial share of the savings of the people and affording banking facilities on a large scale ~~and~~ in the cities of Bangalore and Mysore and also in some of the mofussil towns. The general economic interests of the country render it necessary and desirable that the Government and the Bank should work together and in view of this consideration, it has been deemed desirable to place the relations between the Government and the Bank on a firmer and more intimate basis than was possible in 1913. The authorities of the Bank cordially agree in this view, and as the result of negotiations between the Bank and the Government the future relations between them have been defined and the general lines on which their association should grow more and more intimate in the future have also been laid down. The business of the Government to be entrusted to the Bank from time to time and the conditions

under

under which it has to be performed by the Bank will be regulated by agreement entered into by the two parties.

The principal points agreed to by the Bank are:-

(a) To obtain the approval of the Government to the appointment of the President of the Board of Directors.

(b) To appoint duly qualified Banking Experts as the Manager and Deputy Manager, with the approval of the Government, to manage its affairs.

(c) In addition to the Auditor appointed by the Shareholders, the Government to appoint an Officer to audit the accounts of the Bank yearly or oftener.

(d) Not to lend money on the security of immoveable property except as collateral security.

(e) Not to engage in foreign Exchange Operations.

The Government on their part agree to:-

(f) Maintain a Current Account in the Bank.

(g) Entrust to the Bank the work relating to Government payments and investments in India, wherever possible.

(i) Empower the Bank to draw Supply Bills on Treasuries, and to receive amounts tendered by the public at all District and Taluk Treasuries for remittance to Head Office.

(j) Authorise the Bank to pay interest on Mysore Government Loans.

(k) Maintain the original deposit of ten lakhs in the Bank.

(l) The gradual transfer of Treasury and Public Debt work to the Bank.

(m) The currency of the new Agreement to be for a period of five years.

ALL COMMUNICATIONS TO BE ADDRESSED
TO THE MANAGER.
TELEGRAPHIC ADDRESS: "MYSOREBANK."
No.

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The Bank of Mysore, Ltd.,

Bangalore, 13th August 1923.

Please quote this number 13-8-23 Enclosed 2 cts 18 CURRENCY No. 559 7E.

The Financial Secretary to
the Government of H. H. the Maharaja of Mysore,
Bangalore.

Serial No 12 - D.O dated 13-8-23 from the Manager, Bank of Mysore to the Financial Secretary to Government.

Dear Sir,

I am in receipt of your letter dated 16th July 1923 No.Fl.305/G.F. 98-22 forwarding a copy of the contract as finally agreed to by the Government and the Bank in regard to the business to be entrusted to the Bank under para 7 of Government Order No.Fl.158-207/G.F. 98-22-2 dated 10th July 1923. As regards the cash ratio to be maintained by the Bank against its demand liabilities, the Board accept the terms and conditions mentioned in your letter No.Fl.4973 dated 23rd April 1923, viz., 33% of cash to demand liabilities due to the Government and the public, but excluding from such calculation the constant minimum balance of Rs.5 lacs to be maintained by Government in Current Account. There is one reservation which I would like you to note in connection with this Agreement, and that is that the rates of interest agreed to be paid by this Bank on Government balances in Current Account are to be subject to amendment in the

event

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event of the Imperial Bank of India at any time varying the rates which they now pay on Mysore Government funds kept with them in Current Account during the first six months of each year.

Yours faithfully,

MANAGER.

Revised Draft.

Serial No 12.
Letter No FC 1098 Dated
19th August 1923 from the
Financial Secretary to
to the Manager, Bank
of Mysore.

To

The Manager,
The Bank of Mysore, Ltd.,
BANGALORE.

Sir,

I am directed to acknowledge the receipt of your letter of the 13th August 1923 in regard to the agreement communicated in my letter No.Fl. 305 dated 16th July 1923.

As regards the cash ratio, the constant balance of Rs.5 lakhs may, of course, be omitted from its calculation. Liabilities payable within one month may, however, be included as explained in my letter No.Fl.4603 dated 6th April 1923.

As regards the proposal to reconsider the condition ~~of~~ in the agreement in regard to the rate of interest payable by the Bank from January to June, in the event of any variation in the rates allowed by the Imperial Bank of India, I am to state that the occasion for any revision of the kind is extremely unlikely. The rate allowed by the Imperial Bank from January to ~~June~~ March is one per cent. below the Bank rate subject to a maximum of 6 per cent. and there ~~is~~ is no probability of this arrangement being altered. As for the rate of 2½ per cent. allowed in the quarter from April to June, which is part of the busy season, there can be no reduction in it, when, according to the agreement, the same rate is payable even for the period from July to December, the greater part of which is the slack season of the year. I am, in these circumstances, to state that the reserva-

tion

reservation proposed is not necessary

and to suggest that it may not be ~~pro-~~

~~posed.~~ pressed-

I have, etc.,

5/8/13

Financial Secretary to Govt.

41/198

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General and Revenue Secretariat,
Dated Bangalore August 1 9 3 8

Press Communique. No M 10 9 [illegible] 18-7-38

The Bank of Mysore, Ltd., was started under the auspices of the Mysore Government in the year 1913, and within the comparatively short period of a decade the institution has, thanks to the efforts, able and vigilance of the Directorate and the Management and the co-operation of the public, justified the expectations formed of it and succeeded in attracting a substantial share of the savings of the people and affording banking facilities on a large scale in the cities of Bangalore and Mysore and also in some of the mofussil towns. The general economic interests of the country render it necessary and desirable that the Government and the Bank should work together and in view of this consideration, it has been deemed desirable to place the relations between the Government and the Bank ~~cordially agree~~ on a firmer and more intimate basis than was possible in 1913. The authorities of the Bank cordially agree in this view, and as the result of negotiations between the Bank and the Government, the future relations between them have been defined and the general lines on which their association should grow more and more intimate in the future have also been laid down. The business of the Government to be entrusted to the Bank from time to time and the conditions under which it is to be performed by the Bank will be regulated by agreements entered into by the two parties.

The principal points agreed to by the Bank are :-

(a) To obtain the approval of the Government to the appointment of the President of the Board of Directors.

(b) To appoint duly qualified Banking Experts as the Manager and the Deputy Manager, with the approval of the Government, to manage its affairs.

(c) In addition to the Auditor appointed by the Shareholders, the Government to appoint an Officer to audit the accounts of the

---Monthly

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

In reply please refer to No.271/Books

DIARY No. 678 Comptroller's Office, Bangalore,

Dated the 20th August 1923.

19 — 19
Section.
Subject.
Serial No.

Rajakaryaprasaktha
M.N.Krishna Rao, Esq., B.A.,
Financial Secretary to Govt. of Mysore,
Bangalore.

22 AUG 1923

Sir,

Serial No 15. Letter No 271/Books dated 20-8-23 from the Comptroller to the Financial Secy to Govt.

In forwarding herewith copies of this office letter No.232/Books dated 11th instant to the Manager, Bank of Mysore, Ltd., and the Bank's reply thereto, I have the honor to request you to kindly intimate if, under the circumstances explained by the Bank, para I of the recent agreement between the Government and the Bank of Mysore, Ltd., may be treated as cancelled and payments outside the State arranged as usual with the Imperial Bank. I need hardly point out that the existing procedure under which the Imperial Bank has now been arranging to issue drafts and forward them direct to the parties concerned

is

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is convenient and economical.

I have the honor to be,
Sir,
Your most obedient servant,

J Satyanarayanaiah
Comptroller.

MSR/20-8

Enclosure (5) to Letter No 271/Books dt 20-9-23

Copy of letter No.232/Books dated 11th August 1923 from the Comptroller in Mysore, to the Manager, Bank of Mysore, Ltd., Bangalore.

=====

With reference to the revised agreement passed in Government Order No.Fl.158-207/G.F.98-22-2 dated 10th July 1923, I have the honor to state that necessary arrangements have been made for payments on behalf of Government outside the State being made through you from 1st October 1923 by means of drafts.

2. The Imperial Bank of India Bangalore through whom this office has now been arranging for such payments have undertaken to send the drafts direct to the payees and forward to this office the receipts obtained from them.

3. I request you to kindly arrange for the same procedure being followed in your bank as it would avoid delay and also save this office the unnecessary clerical labour involved in getting the drafts from the Bank and despatching them to the payees. The forms that are now used in this connection giving necessary particulars are enclosed for your reference and will be continued

to

to be used if you are agreeable.

4. The postage and registration charges incurred in this connection may as usual be debited to the Dewan's Deposit Account once a month and a statement of details forwarded to this office in support of the debit.

======

2. Copy of D. O. dated 16th August 1923, from the Manager, Bank of Mysore, Ltd., Bangalore, to the Comptroller, Mysore Government, Bangalore.

======

I am in receipt of your letter of the 13th instant, No.232/Bks. asking me to arrange for the payments on behalf of Government outside the State by means of direct remittances to the payees.

For the reasons mentioned in my D.O. letter dated 17th April 1923 to the Financial Secretary, I much regret that it is quite impossible for me to entertain the proposed business, and consequently Condition I of the Agreement was made optional. I much regret that

I should have to decline the business, and you will no doubt appreciate the reasons which compel me to do so.

=====

"Copy".

Superintendent, Records Section,
Comptroller's Office.

MSR/20-8

THE BANGALORE PRESS 20,000-3-23

ALL COMMUNICATIONS TO BE ADDRESSED TO THE MANAGER

767

The Bank of Mysore, Ltd.

Bangalore, 30th Aug. '23.

No. 4416 d.
295

COPIED

The Financial Secretary,
Government of Mysore,
Bangalore.

Dear Sir,

I thank you for your letter of the 20th August No.Fl.1098/A.F.98-22-5 in the matter of the cash ratio to be maintained in the future by the Bank against its demand liabilities.

As regards the reservation made in my letter of the 13th instant, I am willing not to press the matter in view of your explanation that the occasion for any revision of interest rates between the Government and the Imperial Bank of India is extremely unlikely.

Yours faithfully,

MANAGER.

MSR

G. R. S. III—3].

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

Subd. The main file is now before the Financial Secy having been submitted with Diary No. 678 on 23-8-23 in connection with a reference from the Comptroller suggesting in cancellation of the Clause in the Agreement relating to the question of payments outside India, for the reason that the Bank is not inclined to undertake the work.

May this be submitted in Cantonment?

Shall get the main file back & put this up along with it

31/8

N. B.—Should routine notes be written on small slips the notes must b cipoed, or slips pasted on this form.

155

G. R. S. VI—G/32]

SUBJECT.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

, the *191* .

Date of issue 8 Sept 23

Signed by Mr Mackenzie

Section G & C

File No. 98-22

Serial No 9

No. H. 1429.

To The Comptroller,

Sir,

With reference to your letter No 271/Books dated 20-8-23 suggesting the Cancellation of Clause Para 1 of the Agreement with the Bank of Mysore Ltd, on the ground that the Bank is not willing to undertake the work of making payments on behalf of Govt. The State Outside India, I am directed

over.

to state that it was not the
intention to make this work binding
on the Bank but only to make
it optional ~~to them~~ if the Bank chose to undertake the work as the, as is specified under the
~~Regn~~ Circular from the wording of
the Clause ~~this~~ "Payments ... may be
~~arranged for etc~~" Thus the final
understanding as embodied in the
Clause provides ~~both~~ for rejection
or acceptance of this business by
the Bank.

There is therefore no need
to modify or Cancel the ~~paragraph~~ Clause referred to
~~in question~~ and I am to state
that the present practice of
arranging for Payments outside the State
through the Imperial Bank of India,
may be Continued, ~~until~~ the Bank
of Mysore ~~comes forward offers~~ is not prepared
~~in accord~~ to undertake this business

List of enclosures.

Yours etc.

Copied by

Examined by

Bank 7.9.23

SK 5/9

Secy 5/9/23

Secy

G. R. S. VI—G/32]

SUBJECT.....

.....

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Diary No. of letter replied to.....

General and Revenue Secretariat

, the 191 .

Section G I F

File No. 98-22

Serial No. 8

No. R 1430

Date of issue 8 Sept/23

Signed by Mr. Ina Ramaylh

To

The Comptroller

Sir,

Anent the Govt order No R 158-207 / Govt 98-22-2 of 10.7.23 defining the future relations of Govt with the Bank, I am directed to inform you that the Bank authorities have agreed, in addition to the conditions specified in the Agreement, to always maintain a Reasonable

over.

Cash ratio to guarantee the discharge of demand & deposit liabilities. Extracts relating to this understanding are enclosed

liabilities. The proportion has been fixed at 33⅓% without including thereon short term deposits or securities also been agreed by Govt that the current account balance of Rs 5 lakhs placed with the Bank thereby forms a Constant balance as per terms offered to the Bank need not be reckoned as a demand liability for the purpose

Shaweche
7.8.23

10/8

List of enclosures.

Copied by

Examined by